

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

For The Years Ended
June 30, 2015 and 2014

THE EIPHANY 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, 2015 and 2014, 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 these audits 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, 2015 and 2014, 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 audit 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.

Bernsteiner Rosen & Company, CPA's, PC

NEW YORK, NEW YORK
November 9, 2015

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statements of Financial Position

June 30,

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 1,103,643	\$ 786,775
Marketable securities (Note 3)	700,102	635,496
Contributions receivable	92,950	181,415
Prepaid expenses	<u>6,318</u>	<u>2,933</u>
Total current assets	<u>1,903,013</u>	<u>1,606,619</u>
Other assets:		
Property and equipment (net of accumulated depreciation of \$7,337 and \$4,892, respectively)	<u>-</u>	<u>2,445</u>
Total other assets	<u>-</u>	<u>2,445</u>
Total assets	<u>\$ 1,903,013</u>	<u>\$ 1,609,064</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Grants payable	\$ 435,000	\$ 225,000
Accrued expenses	1,941	-
Deferred special event income	<u>2,000</u>	<u>-</u>
Total current liabilities	<u>438,941</u>	<u>225,000</u>
Total liabilities	<u>438,941</u>	<u>225,000</u>
Net assets:		
Unrestricted	1,239,101	1,084,093
Temporarily restricted (Note 4)	<u>224,971</u>	<u>299,971</u>
Total net assets	<u>1,464,072</u>	<u>1,384,064</u>
Total liabilities and net assets	<u>\$ 1,903,013</u>	<u>\$ 1,609,064</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, 2015

Public support and revenue:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 332,892	\$ 75,000	\$ 407,892
Special events	528,532	105,900	634,432
Investment loss (Note 3)	(7,398)	-	(7,398)
Net assets released from restrictions (Note 4)	<u>255,900</u>	<u>(255,900)</u>	<u>-</u>
Total public support and revenue	<u>\$ 1,109,926</u>	<u>\$ (75,000)</u>	<u>\$ 1,034,926</u>
 Expenses:			
Grants to the Epiphany School	\$ 525,000	\$ -	\$ 525,000
Supporting services:			
Management and administrative	64,278	-	64,278
Special events	197,494	-	197,494
Fund raising - general	<u>168,146</u>	<u>-</u>	<u>168,146</u>
Total supporting services	<u>429,918</u>	<u>-</u>	<u>429,918</u>
Total expenses	<u>954,918</u>	<u>-</u>	<u>954,918</u>
Change in net assets	155,008	(75,000)	80,008
Net assets - beginning of year	<u>1,084,093</u>	<u>299,971</u>	<u>1,384,064</u>
Net assets - end of year	<u>\$ 1,239,101</u>	<u>\$ 224,971</u>	<u>\$ 1,464,072</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

Public support and revenue:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 262,432	\$ 160,000	\$ 422,432
Special events	524,418	108,650	633,068
Investment income (Note 3)	110,826	-	110,826
Net assets released from restrictions (Note 4)	<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:			
Management 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.

Statements of Cash Flows

For the Years Ended June 30,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 80,008	\$ 178,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,445	2,446
Donated marketable securities	(15,905)	(2,365)
Unrealized and realized loss (gain) from marketable securities	24,497	(96,223)
Changes in operating assets:		
Decrease in contributions receivable	88,465	1,835
(Increase) decrease in prepaid expenses	(3,385)	1,140
Changes in operating liabilities:		
Increase in grants payable	210,000	25,000
Increase in accrued expenses	1,941	-
Increase (decrease) in deferred special event income	<u>2,000</u>	<u>(500)</u>
 Net cash flows provided by operating activities	 <u>390,066</u>	 <u>110,146</u>
 Cash flows from investing activities:		
Proceeds from sale of marketable securities	179,489	153,206
Purchase of marketable securities	<u>(252,687)</u>	<u>(154,562)</u>
 Net cash flows (used in) investing activities	 <u>(73,198)</u>	 <u>(1,356)</u>
 Net increase in cash and cash equivalents	 316,868	 108,790
 Cash and cash equivalents - beginning of year	 <u>786,775</u>	 <u>677,985</u>
 Cash and cash equivalents - end of year	 <u>\$ 1,103,643</u>	 <u>\$ 786,775</u>

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

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2015 and 2014

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 books and records 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.

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 period of time. Net assets released from restrictions represent the satisfaction of the restricted purposes specified by the donor.

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.

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.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2015 and 2014

Note 2 Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment is 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 on the Statements of Financial Position.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded 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.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 Statements of Activities.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2015 and 2014

Note 2 Summary of Significant Accounting Policies (Continued)

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 June 30, 2015 and 2014, 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 2012, 2013 and 2014.

The Foundation follows the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*, which addresses the accounting for, and disclosure of more likely than not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return.

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.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2015 and 2014

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, 2015 and 2014. 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, 2015 and 2014, respectively.

	<u>2015</u>	<u>2014</u>
Common stock	\$ 394,096	\$ 349,131
Fixed income mutual funds	212,500	212,158
Equity mutual funds	<u>93,506</u>	<u>74,207</u>
	<u>\$ 700,102</u>	<u>\$ 635,496</u>

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

	<u>2015</u>	<u>2014</u>
Interest income	\$ 821	\$ 899
Dividend income	16,278	13,704
Realized gains	17,278	27,155
Unrealized (loss)/gains	<u>(41,775)</u>	<u>69,068</u>
Total investment (loss)/income	<u>\$ (7,398)</u>	<u>\$ 110,826</u>

THE EIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2015 and 2014

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>2015</u>	<u>2014</u>
Real Touch Displays	\$ 105,900	\$ -
Teacher development and retention	75,000	80,000
Financial aid	25,000	25,000
Technology	25,000	25,000
Smart board	25,000	25,000
iPads	-	80,695
Playground	-	79,098
Scholarship	-	<u>10,000</u>
 Total net assets released from restrictions	 <u>\$ 255,900</u>	 <u>\$ 324,793</u>

Temporarily restricted net assets are as follows at June 30,

	<u>2015</u>	<u>2014</u>
Environmental center	\$ 108,650	\$ 108,650
Financial aid	50,000	25,000
Capital campaign for school facilities improvements	33,321	33,321
Teacher development and retention	25,000	75,000
Tree planting/maintenance	8,000	8,000
Technology	-	25,000
Smart board	-	<u>25,000</u>
 Total temporarily restricted net assets	 <u>\$ 224,971</u>	 <u>\$ 299,971</u>

Note 5 Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition of disclosure in the financial statements through November 9, 2015, 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, 2015

	<u>Management and Administrative</u>	<u>Fund Raising - General</u>	<u>Total</u>
<u>Supporting services</u>			
Salaries and related expenses	\$ 34,700	\$ 138,800	\$ 173,500
Professional fees	7,700	-	7,700
Office and other expenses	<u>21,878</u>	<u>29,346</u>	<u>51,224</u>
	<u>\$ 64,278</u>	<u>\$ 168,146</u>	232,424
Special events			<u>197,494</u>
Total supporting services			<u>429,918</u>
<u>Program services</u>			
Grants to the Epiphany School			<u>525,000</u>
Total expenses			<u>\$ 954,918</u>

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>