

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

For The Years Ended

June 30, 2011 and 2010

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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 statements of financial position of The Epiphany School Foundation, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of The Epiphany School Foundation, Inc at June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

NEW YORK, NEW YORK
August 16, 2011

Bernstein Rosen & Company, CPAs, PC

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Financial Position

June 30,

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 925,921	\$ 529,381
Marketable securities	238,201	221,018
Contributions receivable	32,990	180,028
Prepaid expenses	<u>1,638</u>	<u>1,315</u>
TOTAL CURRENT ASSETS	<u>1,198,750</u>	<u>931,742</u>
TOTAL ASSETS	<u>\$ 1,198,750</u>	<u>\$ 931,742</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 110	\$ 728
Grants payable	<u>150,000</u>	<u>50,000</u>
TOTAL CURRENT LIABILITIES	<u>150,110</u>	<u>50,728</u>
NET ASSETS:		
Unrestricted	686,221	637,693
Temporarily restricted	<u>362,419</u>	<u>243,321</u>
TOTAL NET ASSETS	<u>1,048,640</u>	<u>881,014</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,198,750</u>	<u>\$ 931,742</u>

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

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Activities

For the Year Ended
June 30, 2011

PUBLIC SUPPORT AND REVENUE

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Contributions	\$ 268,164	\$ 160,500	\$ 428,664
Special events	391,058	133,598	524,656
Investment return	46,592	-	46,592
Net assets released from restrictions	<u>175,000</u>	<u>(175,000)</u>	<u>-</u>
 TOTAL PUBLIC SUPPORT AND REVENUE	 <u>\$ 880,814</u>	 <u>\$ 119,098</u>	 <u>\$ 999,912</u>
 EXPENSES:			
Grants to the Epiphany School	\$ 483,533	\$ -	\$ 483,533
General and administrative	47,677	-	47,677
Special events	158,109	-	158,109
Fund raising - general	<u>142,967</u>	<u>-</u>	<u>142,967</u>
 TOTAL EXPENSES	 <u>832,286</u>	 <u>-</u>	 <u>832,286</u>
 CHANGE IN NET ASSETS	 48,528	 119,098	 167,626
Net Assets - beginning of year	<u>637,693</u>	<u>243,321</u>	<u>881,014</u>
Net Assets - end of year	<u>\$ 686,221</u>	<u>\$ 362,419</u>	<u>\$ 1,048,640</u>

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

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Activities

For the Year Ended
June 30, 2010

PUBLIC SUPPORT AND REVENUE

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Contributions	\$ 263,694	\$ 180,000	\$ 443,694
Special events	398,772	-	398,772
Investment return	25,378	-	25,378
Net assets released from restrictions	<u>155,000</u>	<u>(155,000)</u>	<u>-</u>
 TOTAL PUBLIC SUPPORT AND REVENUE	 <u>\$ 842,844</u>	 <u>\$ 25,000</u>	 <u>\$ 867,844</u>
 EXPENSES:			
Grants to the Epiphany School	\$ 447,500	\$ -	\$ 447,500
General and administrative	61,169	-	61,169
Special events	146,911	-	146,911
Fund raising - general	<u>121,016</u>	<u>-</u>	<u>121,016</u>
 TOTAL EXPENSES	 <u>776,596</u>	 <u>-</u>	 <u>776,596</u>
 CHANGE IN NET ASSETS	 66,248	 25,000	 91,248
Net Assets - beginning of year	<u>571,445</u>	<u>218,321</u>	<u>789,766</u>
Net Assets - end of year	<u>\$ 637,693</u>	<u>\$ 243,321</u>	<u>\$ 881,014</u>

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

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Cash Flows

**For the Year Ended
June 30,**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 167,626	\$ 91,248
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized and realized (gain) from securities	(39,029)	(15,401)
Changes in operating assets and liabilities:		
Decrease in contributions receivable	147,038	8,622
(Increase) Decrease in prepaid expenses	(323)	2,556
(Decrease) in accounts payable and accrued expenses	(618)	(1,922)
Increase in grants payable	<u>100,000</u>	<u>50,000</u>
Net cash provided by operating activities	<u>374,694</u>	<u>135,103</u>
Cash flows from investing activities:		
Proceeds from sale of marketable securities	116,439	39,198
Purchase of marketable securities	<u>(94,593)</u>	<u>(46,055)</u>
Net cash (used in) investing activities	<u>21,846</u>	<u>(6,857)</u>
Net increase in cash	396,540	128,246
Cash and cash equivalents - beginning of year	<u>529,381</u>	<u>401,135</u>
Cash and cash equivalents - end of year	<u>\$ 925,921</u>	<u>\$ 529,381</u>

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

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

The financial statements of The Epiphany School Foundation, Inc. have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(A) 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.

(B) 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.

(C) EQUIPMENT

Equipment is recorded at cost or the fair market value of the equipment 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.

(D) 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 these financial statements.

(E) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

THE EPIPHANY SCHOOL FOUNDATION, INC

Notes to Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies (continued)

(F) CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(G) 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.

(H) ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

In 2010, the Organization adopted Accounting Standards Update (ASU) 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*, in conjunction with its adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (now included in ASC Subtopic 740-10, *Income Taxes – Overall*). FASB Interpretation No. 48 addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There was no significant impact to the Organization's financial statements as a result of the adoption of this guidance.

THE EPIPHANY SCHOOL FOUNDATION, INC

Notes to Financial Statements

June 30, 2011 and 2010

(2) Marketable Securities

The following table provides the marketable securities carried at fair value measured on a recurring basis for the year ended June 30, 2011.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common Stock	\$ 131,194	\$ 131,194	-	-
Fixed Income Mutual Funds	76,942	76,942	-	-
Equity Mutual Funds	<u>30,065</u>	<u>30,065</u>	-	-
	<u>\$ 238,201</u>	<u>\$ 238,201</u>	-	-

The following table provides the marketable securities carried at fair value measured on a recurring basis for the year ended June 30, 2010.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common Stock	\$ 88,983	\$ 88,983	-	-
Fixed Income Mutual Funds	105,194	105,194	-	-
Equity Mutual Funds	<u>26,841</u>	<u>26,841</u>	-	-
	<u>\$ 221,018</u>	<u>\$ 221,018</u>	-	-

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

	<u>2011</u>	<u>2010</u>
Interest income	\$ 397	\$ 57
Dividend income	7,166	8,599
Realized gains (losses)	8,912	(1,904)
Unrealized gains (losses)	<u>30,117</u>	<u>18,626</u>
Total investment return	<u>\$46,592</u>	<u>\$25,378</u>

THE EPIPHANY SCHOOL FOUNDATION, INC

Notes to Financial Statements

June 30, 2011 and 2010

(3) 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>2011</u>	<u>2010</u>
Teacher Development and Computer Classes	\$ 75,000	\$ 75,000
Financial Aid	50,000	55,000
Technology	25,000	25,000
Smart board	<u>25,000</u>	<u>-</u>
Total Restrictions Released	<u>\$ 175,000</u>	<u>\$ 155,000</u>

Temporarily Restricted Net Assets are as follows at June 30,

	<u>2011</u>	<u>2010</u>
Playground	\$ 129,098	\$ -
Teacher Development and Computer Classes	75,000	75,000
Capital Campaign for School Facilities Improvements	68,321	68,321
Financial Aid	35,000	50,000
Technology	25,000	25,000
Smart Board	25,000	25,000
Tree planting/maintenance	<u>5,000</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 362,419</u>	<u>\$ 243,321</u>

(4) Subsequent events

As of August 16, 2011 (the date the financial statements were available to be issued), there were no material transactions that occurred requiring an accrual or disclosure.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2011

	<u>Management and General</u>	<u>General Fund Raising</u>	<u>Total</u>
Salaries and related expenses	\$ 29,192	\$ 116,768	\$ 145,960
Professional fees	6,380	-	6,380
Office and other expenses	12,105	26,199	38,304
	<u>\$ 47,677</u>	<u>\$ 142,967</u>	190,644
Special Events			<u>158,109</u>
Total supporting services			348,753
<u>Program Services</u>			
Grants to the Epiphany School			<u>483,533</u>
Total Expenses			<u>\$ 832,286</u>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2010

	<u>Management and General</u>	<u>General Fund Raising</u>	<u>Total</u>
Salaries and related expenses	\$ 41,980	\$ 100,270	\$ 142,250
Professional fees	6,280	-	6,280
Office and other expenses	12,909	20,746	33,655
	<u>\$ 61,169</u>	<u>\$ 121,016</u>	182,185
Special Events			<u>146,911</u>
Total supporting services			329,096
<u>Program Services</u>			
Grants to the Epiphany School			<u>447,500</u>
Total Expenses			<u>\$ 776,596</u>