

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

For The Years Ended

June 30, 2012 and 2011

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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, 2012 and 2011, 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 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 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 statements 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, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 10 and 11 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.

NEW YORK, NEW YORK
October 26, 2012

Bernstein Rosen & Company, CPAs, PC

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statements of Financial Position

June 30,

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,011,175	\$ 925,921
Marketable securities	240,599	238,201
Contributions receivable	20,974	32,990
Prepaid expenses	<u>19,229</u>	<u>1,638</u>
TOTAL CURRENT ASSETS	<u>1,291,977</u>	<u>1,198,750</u>
TOTAL ASSETS	<u>\$ 1,291,977</u>	<u>\$ 1,198,750</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 833	\$ 110
Deferred special event income	78,112	-
Grants payable	<u>150,000</u>	<u>150,000</u>
TOTAL CURRENT LIABILITIES	<u>228,945</u>	<u>150,110</u>
NET ASSETS:		
Unrestricted	745,488	686,221
Temporarily restricted	<u>317,544</u>	<u>362,419</u>
TOTAL NET ASSETS	<u>1,063,032</u>	<u>1,048,640</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,291,977</u>	<u>\$ 1,198,750</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, 2012**

PUBLIC SUPPORT AND REVENUE

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
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>

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.

Statements of Cash Flows

**For the Years Ended
June 30,**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ 14,392	\$ 167,626
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized and realized (gain) from securities	(1,863)	(39,029)
Changes in operating assets and liabilities:		
Decrease in contributions receivable	12,016	147,038
(Increase) in prepaid expenses	(17,591)	(323)
Increase (decrease) in accounts payable and accrued expenses	723	(618)
Increase in deferred special event income	78,112	-
Increase in grants payable	<u>-</u>	<u>100,000</u>
Net cash provided by operating activities	<u>85,789</u>	<u>374,694</u>
Cash flows from investing activities:		
Proceeds from sale of marketable securities	81,449	116,439
Purchase of marketable securities	<u>(81,984)</u>	<u>(94,593)</u>
Net cash (used in) provided by investing activities	<u>(535)</u>	<u>21,846</u>
Net increase in cash	85,254	396,540
Cash and cash equivalents - beginning of year	<u>925,921</u>	<u>529,381</u>
Cash and cash equivalents - end of year	<u>\$ 1,011,175</u>	<u>\$ 925,921</u>

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

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to Financial Statements

June 30, 2012 and 2011

(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) 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.

THE EPIPHANY SCHOOL FOUNDATION, INC

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (continued)

(D) 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.

(E) 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.

(F) 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.

THE EPIPHANY SCHOOL FOUNDATION, INC

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies (continued)

(G) 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 estimate 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.

(H) SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition of disclosure in the financial statements through October 19, 2012, the day the financial statements were issued. No material subsequent events were identified.

(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, 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 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 EPIPHANY SCHOOL FOUNDATION, INC

Notes to Financial Statements

June 30, 2012 and 2011

(3) Marketable Securities (continued)

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

	<u>2012</u>	<u>2011</u>
Interest income	\$ 2,020	\$ 397
Dividend income	6,540	7,166
Realized gains	9,385	8,912
Unrealized (losses) gains	<u>(7,522)</u>	<u>30,117</u>
Total investment return	<u>\$10,423</u>	<u>\$46,592</u>

(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>2012</u>	<u>2011</u>
Teacher development and retention	\$ 70,000	\$ 75,000
Financial aid	35,000	50,000
Technology	25,000	25,000
Smart board	25,000	25,000
Playground	50,000	-
iPads	<u>77,250</u>	<u>-</u>
Total restrictions released	<u>\$ 282,250</u>	<u>\$ 175,000</u>

Temporarily restricted net assets are as follows at June 30,

	<u>2012</u>	<u>2011</u>
Playground	\$ 79,098	\$ 129,098
Teacher development and retention	80,000	75,000
Capital campaign for school facilities improvements	68,321	68,321
Financial aid	25,000	35,000
Technology	25,000	25,000
Smart board	25,000	25,000
Scholarship	3,000	-
iPads	5,125	-
Tree planting/maintenance	<u>7,000</u>	<u>5,000</u>
Total temporarily restricted net assets	<u>\$ 317,544</u>	<u>\$ 362,419</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>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2011

	<u>Management and Administrative</u>	<u>Fund Raising - general</u>	<u>Total</u>
Salaries and related expenses	\$ 29,192	\$ 116,768	\$ 145,960
Professional fees	6,380	-	6,380
Office and other expenses	<u>12,105</u>	<u>26,199</u>	<u>38,304</u>
	<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>