

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

For the Years Ended
June 30, 2017 and 2016

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

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BERNSTEIN ROSEN & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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, 2017 and 2016, 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, 2017 and 2016, 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 13-14 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.

Bernstein Rosen & Company, CPAs, PC

NEW YORK, NEW YORK
December 5, 2017

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statements of Financial Position

June 30,

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,015,615	\$ 1,105,140
Marketable securities (Note 3)	1,114,357	864,227
Contributions receivable	20,000	13,832
Prepaid expenses	<u>30,690</u>	<u>8,827</u>
Total Current Assets	<u>2,180,662</u>	<u>1,992,026</u>
Other Assets:		
Property and equipment (net of accumulated depreciation of \$3,452 and \$560, respectively)	<u>6,346</u>	<u>2,238</u>
Total Other Assets	<u>6,346</u>	<u>2,238</u>
Total Assets	<u>\$ 2,187,008</u>	<u>\$ 1,994,264</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Grants payable	\$ 526,441	\$ 481,799
Accrued expenses	<u>-</u>	<u>1,152</u>
Total Current Liabilities	<u>526,441</u>	<u>482,951</u>
Total Liabilities	<u>526,441</u>	<u>482,951</u>
Net Assets:		
Unrestricted	1,626,246	1,294,543
Temporarily restricted (Note 4)	<u>34,321</u>	<u>216,770</u>
Total Net Assets	<u>1,660,567</u>	<u>1,511,313</u>
Total Liabilities and Net Assets	<u>\$ 2,187,008</u>	<u>\$ 1,994,264</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, 2017

Public Support and Revenue:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 317,358	\$ 61,000	\$ 378,358
Special events	498,719	71,441	570,160
Investment income (Note 3)	112,596	-	112,596
Net assets released from restrictions (Note 4)	<u>314,890</u>	<u>(314,890)</u>	<u>-</u>
 Total Public Support and Revenue	 <u>\$ 1,243,563</u>	 <u>\$ (182,449)</u>	 <u>\$ 1,061,114</u>
 Expenses:			
Program Services:			
Grants to the Epiphany School	<u>\$ 409,642</u>	<u>\$ -</u>	<u>\$ 409,642</u>
 Total Program Services	 <u>409,642</u>	 <u>-</u>	 <u>409,642</u>
Supporting Services:			
Management and administrative	75,960	-	75,960
Special events	213,943	-	213,943
Fund raising - general	<u>212,315</u>	<u>-</u>	<u>212,315</u>
 Total Supporting Services	 <u>502,218</u>	 <u>-</u>	 <u>502,218</u>
 Total Expenses	 <u>911,860</u>	 <u>-</u>	 <u>911,860</u>
 Change in Net Assets	 331,703	 (182,449)	 149,254
Net Assets - beginning of year	<u>1,294,543</u>	<u>216,770</u>	<u>1,511,313</u>
Net Assets - end of year	<u>\$ 1,626,246</u>	<u>\$ 34,321</u>	<u>\$ 1,660,567</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, 2016

Public Support and Revenue:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 336,525	\$ 27,251	\$ 363,776
Special events	589,919	100,156	690,075
Investment income (Note 3)	9,944	-	9,944
Net assets released from restrictions (Note 4)	<u>135,608</u>	<u>(135,608)</u>	<u>-</u>
 Total Public Support and Revenue	 <u>\$ 1,071,996</u>	 <u>\$ (8,201)</u>	 <u>\$ 1,063,795</u>
 Expenses:			
Program Services:			
Grants to the Epiphany School	\$ <u>480,156</u>	\$ <u>-</u>	\$ <u>480,156</u>
 Total Program Services	 <u>480,156</u>	 <u>-</u>	 <u>480,156</u>
Supporting Services:			
Management and administrative	74,511	-	74,511
Special events	254,324	-	254,324
Fund raising - general	<u>207,563</u>	<u>-</u>	<u>207,563</u>
 Total Supporting Services	 <u>536,398</u>	 <u>-</u>	 <u>536,398</u>
 Total Expenses	 <u>1,016,554</u>	 <u>-</u>	 <u>1,016,554</u>
 Change in Net Assets	 55,442	 (8,201)	 47,241
Net Assets - beginning of year	<u>1,239,101</u>	<u>224,971</u>	<u>1,464,072</u>
Net Assets - end of year	<u>\$ 1,294,543</u>	<u>\$ 216,770</u>	<u>\$ 1,511,313</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>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 149,254	\$ 47,241
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,892	560
Donated marketable securities	(16,354)	(17,515)
Realized and unrealized (gain) loss from marketable securities	(87,763)	12,234
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	(6,168)	79,118
(Increase) in prepaid expenses	(21,863)	(2,509)
Increase in grants payable	44,642	46,799
(Decrease) in accrued expenses	(1,152)	(789)
(Decrease) in deferred special event income	<u>-</u>	<u>(2,000)</u>
Net Cash Flows Provided By Operating Activities	<u>63,488</u>	<u>163,139</u>
<u>Cash Flows From Investing Activities:</u>		
Proceeds from sale of marketable securities	204,986	291,549
Purchase of marketable securities	(350,999)	(450,393)
Purchase of property and equipment	<u>(7,000)</u>	<u>(2,798)</u>
Net Cash Flows (Used In) Investing Activities	<u>(153,013)</u>	<u>(161,642)</u>
Net (Decrease) Increase In Cash and Cash Equivalents	(89,525)	1,497
Cash and Cash Equivalents - beginning of year	<u>1,105,140</u>	<u>1,103,643</u>
Cash and Cash Equivalents - end of year	<u>\$1,015,615</u>	<u>\$1,105,140</u>

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

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2017 and 2016

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

Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Permanently restricted net assets are subject to donor imposed stipulation that they be maintained permanently by the organization. Generally, the donors permit the organization to use all of the income earned on only related investments.

As of June 30, 2017, there was \$34,321 and \$216,770, respectively of temporarily restricted net assets and no permanently restricted net assets.

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, 2017 and 2016

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. The Foundation capitalizes all acquisitions in excess of \$1,000. 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 expensed as incurred.

Computer equipment	5 years
Website	3 years

Contributions and Contributions Receivable

Contributions received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Contributions not subject to donor restrictions are reported as unrestricted support. Temporarily restricted support represents contributions that are restricted by the donor for various programs. Net assets restricted for programs are released from temporarily restricted net assets when the programs costs are expensed. 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 the receipt. In-kind donations are reflected as contributions on the statement of activities.

Contributions related to special events are recognized in the period that the event occurs.

Investments

Investments in marketable equity securities are carried at fair value. Donated investments are recorded at their fair market value at the date of donation. Investment securities, in general, are exposed to various risks such as interest rate, credit and overall volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on markets' fluctuations, and that such changes could materially affect the amounts reported in the Foundation's statement of activities and investment portfolio. Unrealized gains and losses are included in the change in unrestricted assets.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2017 and 2016

Note 2 Summary of Significant Accounting Policies (Continued)

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.

Program Services

The Foundation's contributions are used by the School to strengthen academic programs, develop faculty, maintain and improve the School's facilities and other special projects.

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, 2017 and 2016, 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 ended June 30, 2014, 2015 and 2016.

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.

Note 3 Market Value Risk and Fair Value Measurements

In accordance with GAAP, the Foundation measures its investments at fair value. 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 input levels used for valuing investments are not necessarily an indication of risk. The three levels in the fair value hierarchy are as follows:

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2017 and 2016

Note 3 Market Value Risk and Fair Value Measurements (Continued)

- *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 Foundation's marketable securities are considered Level 1 as of June 30, 2017 and 2016. 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 of June 30, 2017 and 2016, respectively:

	June 30, 2017			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 418,485	\$ 418,485	\$ -	\$ -
Fixed income mutual funds	407,281	407,281	-	-
Equity mutual funds	<u>288,591</u>	<u>288,591</u>	-	-
Total	<u>\$ 1,114,357</u>	<u>\$ 1,114,357</u>	<u>\$ -</u>	<u>\$ -</u>
	June 30, 2016			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 351,419	\$ 351,419	\$ -	\$ -
Fixed income mutual funds	334,283	334,283	-	-
Equity mutual funds	<u>178,525</u>	<u>178,525</u>	-	-
Total	<u>\$ 864,227</u>	<u>\$ 864,227</u>	<u>\$ -</u>	<u>\$ -</u>

Fair market value of donated investments at the time of donation were \$16,354 and \$17,515 for the years ended June 30, 2017 and 2016, respectively.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2017 and 2016

Note 3 Market Value Risk and Fair Value Measurements (Continued)

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

	<u>2017</u>	<u>2016</u>
Interest income	\$ 473	\$ 460
Dividend income	23,562	15,910
Capital gains	798	5,808
Realized gain/(loss)	12,743	(8,013)
Unrealized gain/(loss)	<u>75,020</u>	<u>(4,221)</u>
 Total Investment Income	 <u>\$ 112,596</u>	 <u>\$ 9,944</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>2017</u>	<u>2016</u>
Wellness In The Schools	\$ 128,240	\$ 33,357
Environmental Center	108,650	-
Financial Aid	50,000	50,000
Power Lunch	20,000	20,000
Tree Planting/Maintenance	8,000	-
Teacher Development and Retention	-	25,000
Scholarship	-	5,000
Kiln for Art Department	-	<u>2,251</u>
 Total Net Assets Released from Restrictions	 <u>\$ 314,890</u>	 <u>\$ 135,608</u>

Temporarily restricted net assets are as follows at June 30,

	<u>2017</u>	<u>2016</u>
Capital Campaign for School Facilities Improvements	\$ 33,321	\$ 33,321
Financial Aid	1,000	-
Environmental Center	-	108,650
Wellness In The Schools	-	66,799
Tree Planting/Maintenance	-	<u>8,000</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 34,321</u>	 <u>\$ 216,770</u>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2017 and 2016

Note 5 Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition of disclosure in the financial statements through December 5, 2017, 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, 2017

	<u>Management and Administrative</u>	<u>Fund Raising - General</u>	<u>Total</u>
<u>Supporting Services</u>			
Salaries and related expenses	\$ 38,520	\$ 154,080	\$ 192,600
Professional fees	14,513	-	14,513
Office and other expenses	22,927	58,235	81,162
	<u>\$ 75,960</u>	<u>\$ 212,315</u>	288,275
Special events			<u>213,943</u>
Total Supporting Services			<u>502,218</u>
<u>Program Services</u>			
Grants to the Epiphany School			<u>409,642</u>
Total Expenses			<u>\$ 911,860</u>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Schedule of Functional Expenses

For the Year Ended June 30, 2016

	<u>Management and Administrative</u>	<u>Fund Raising - General</u>	<u>Total</u>
<u>Supporting Services</u>			
Salaries and related expenses	\$ 42,108	\$ 168,430	\$ 210,538
Professional fees	8,150	-	8,150
Office and other expenses	<u>24,253</u>	<u>39,133</u>	<u>63,386</u>
	<u>\$ 74,511</u>	<u>\$ 207,563</u>	282,074
Special events			<u>254,324</u>
Total Supporting Services			<u>536,398</u>
<u>Program Services</u>			
Grants to the Epiphany School			<u>480,156</u>
Total Expenses			<u>\$ 1,016,554</u>