

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

For The Years Ended
June 30, 2019 and 2018

THE EPIPHANY SCHOOL FOUNDATION, INC.

Financial Statements

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Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 14

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, 2019 and 2018, and the related statements of activities, statements of functional expenses, 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.

Accountant's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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, 2019 and 2018, 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.

Bernstein Rosen & Company, CPAs, PC

NEW YORK, NEW YORK
October 31, 2019

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statements of Financial Position

June 30,

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 900,305	\$ 868,773
Marketable securities (Note 3)	1,395,842	1,321,098
Contributions receivable	5,351	15,575
Prepaid expenses	<u>32,627</u>	<u>38,230</u>
Total Current Assets	<u>2,334,125</u>	<u>2,243,676</u>
Property and equipment (net of accumulated depreciation of \$9,238 and \$6,345, respectively)	<u>560</u>	<u>3,453</u>
Total Assets	<u>\$ 2,334,685</u>	<u>\$ 2,247,129</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Grants payable	\$ 465,000	\$ 465,000
Accrued expenses	2,120	-
Deferred revenue	<u>-</u>	<u>4,931</u>
Total Liabilities	<u>467,120</u>	<u>469,931</u>
Net Assets:		
Without donor restrictions	1,821,368	1,731,402
With donor restrictions (Note 4)	<u>46,197</u>	<u>45,796</u>
Total Net Assets	<u>1,867,565</u>	<u>1,777,198</u>
Total Liabilities and Net Assets	<u>\$ 2,334,685</u>	<u>\$ 2,247,129</u>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Activities

For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Revenues:			
Contributions	\$ 298,999	\$ 22,500	\$ 321,499
Special events	429,116	53,751	482,867
Net assets released from restrictions (Note 4)	<u>75,850</u>	<u>(75,850)</u>	<u>-</u>
 Total Revenues	 <u>\$ 803,965</u>	 <u>\$ 401</u>	 <u>\$ 804,366</u>
Expenses:			
Program Services:			
Grants to the Epiphany School	\$ 342,345	\$ -	\$ 342,345
 Total Program Services	 <u>342,345</u>	 <u>-</u>	 <u>342,345</u>
Supporting Services:			
Management and administrative	67,639	-	67,639
Fund raising	<u>398,111</u>	<u>-</u>	<u>398,111</u>
 Total Supporting Services	 <u>465,750</u>	 <u>-</u>	 <u>465,750</u>
 Total Expenses	 <u>808,095</u>	 <u>-</u>	 <u>808,095</u>
 Change in Net Assets from Operating Activities	 <u>(4,130)</u>	 <u>401</u>	 <u>(3,729)</u>
Nonoperating Activities:			
Investment income (Note 3)	<u>94,096</u>	<u>-</u>	<u>94,096</u>
 Change in Net Assets from Nonoperating Activities	 <u>94,096</u>	 <u>-</u>	 <u>94,096</u>
 Change in Net Assets	 89,966	 401	 90,367
Net Assets - beginning of year	<u>1,731,402</u>	<u>45,796</u>	<u>1,777,198</u>
Net Assets - end of year	<u>\$ 1,821,368</u>	<u>\$ 46,197</u>	<u>\$ 1,867,565</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Revenues:			
Contributions	\$ 297,945	\$ 31,115	\$ 329,060
Special events	475,653	78,480	554,133
Net assets released from restrictions (Note 4)	<u>98,120</u>	<u>(98,120)</u>	<u>-</u>
 Total Revenues	 <u>\$ 871,718</u>	 <u>\$ 11,475</u>	 <u>\$ 883,193</u>
Expenses:			
Program Services:			
Grants to the Epiphany School	\$ 361,005	\$ -	\$ 361,005
 Total Program Services	 <u>361,005</u>	 <u>-</u>	 <u>361,005</u>
Supporting Services:			
Management and administrative	73,652	-	73,652
Fund raising	<u>418,649</u>	<u>-</u>	<u>418,649</u>
 Total Supporting Services	 <u>492,301</u>	 <u>-</u>	 <u>492,301</u>
 Total Expenses	 <u>853,306</u>	 <u>-</u>	 <u>853,306</u>
 Change in Net Assets from Operating Activities	 <u>18,412</u>	 <u>11,475</u>	 <u>29,887</u>
Nonoperating Activities:			
Investment income (Note 3)	<u>86,744</u>	<u>-</u>	<u>86,744</u>
 Change in Net Assets from Nonoperating Activities	 <u>86,744</u>	 <u>-</u>	 <u>86,744</u>
 Change in Net Assets	 105,156	 11,475	 116,631
Net Assets - beginning of year	<u>1,626,246</u>	<u>34,321</u>	<u>1,660,567</u>
Net Assets - end of year	<u>\$ 1,731,402</u>	<u>\$ 45,796</u>	<u>\$ 1,777,198</u>

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

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program Services	Supporting Services			
	Grants to the Epiphany School	Management and Administrative	Fund raising	Total Supporting Services	Total Expenses
Grants awarded	\$ 342,345	\$ -	\$ -	\$ -	\$ 342,345
Special Events	-	-	182,030	182,030	182,030
Salaries and related expenses	-	41,556	166,224	207,780	207,780
Professional fees	-	9,380	-	9,380	9,380
Office and other expenses	-	16,703	49,857	66,560	66,560
Totals	\$ 342,345	\$ 67,639	\$ 398,111	\$ 465,750	\$ 808,095

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

	Program Services	Supporting Services			
	Grants to the Epiphany School	Management and Administrative	Fund raising	Total Supporting Services	Total Expenses
Grants awarded	\$ 361,005	\$ -	\$ -	\$ -	\$ 361,005
Special Events	-	-	193,731	193,731	193,731
Salaries and related expenses	-	43,400	173,600	217,000	217,000
Professional fees	-	9,870	-	9,870	9,870
Office and other expenses	-	20,382	51,318	71,700	71,700
Totals	\$ 361,005	\$ 73,652	\$ 418,649	\$ 492,301	\$ 853,306

THE EPIPHANY SCHOOL FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 90,367	\$ 116,631
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,893	2,893
Donated marketable securities	(8,742)	(9,723)
Realized and unrealized (gain) from marketable securities	(34,441)	(45,484)
Changes in operating assets and liabilities:		
Decrease in contributions receivable	10,224	4,425
Decrease (increase) in prepaid expenses	5,603	(7,540)
(Decrease) in grants payable	-	(61,441)
Increase in accrued expenses	2,120	-
(Decrease) increase in deferred revenue	<u>(4,931)</u>	<u>4,931</u>
Net Cash Flows Provided By Operating Activities	<u>63,093</u>	<u>4,692</u>
<u>Cash Flows From Investing Activities:</u>		
Proceeds from sale of marketable securities	146,218	195,653
Purchase of marketable securities	<u>(177,779)</u>	<u>(347,187)</u>
Net Cash Flows (Used In) Investing Activities	<u>(31,561)</u>	<u>(151,534)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	31,532	(146,842)
Cash and Cash Equivalents - beginning of year	<u>868,773</u>	<u>1,015,615</u>
Cash and Cash Equivalents - end of year	<u>\$ 900,305</u>	<u>\$ 868,773</u>

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

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2019 and 2018

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 have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants ("AICPA") "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205, *Presentation of Financial Statements*, was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's Board of Directors ("Board") may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 cash balance was \$900,305 and \$868,773 for the years ended June 30, 2019 and 2018, respectively.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2019 and 2018

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.

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 Donor Restrictions

Contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the asset and the assets are placed in service.

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.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2019 and 2018

Note 2. Summary of Significant Accounting Policies (Continued)

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 net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

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 they 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, 2019 and 2018, 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 2016, 2017 and 2018.

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.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to The Foundation's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2019 and 2018

Note 2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

Note 3. Investments

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:

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, 2019 and 2018. 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, 2019 and 2018, respectively:

THE EIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2019 and 2018

Note 3. Investments (Continued)

	June 30, 2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 515,809	\$ 515,809	\$ -	\$ -
Fixed income mutual funds	499,182	499,182	-	-
Equity mutual funds	<u>380,851</u>	<u>380,851</u>	-	-
Total	<u>\$ 1,395,842</u>	<u>\$ 1,395,842</u>	<u>\$ -</u>	<u>\$ -</u>

	June 30, 2018			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 468,591	\$ 468,591	\$ -	\$ -
Fixed income mutual funds	467,849	467,849	-	-
Equity mutual funds	<u>384,658</u>	<u>384,658</u>	-	-
Total	<u>\$ 1,321,098</u>	<u>\$ 1,321,098</u>	<u>\$ -</u>	<u>\$ -</u>

Fair market value of donated investments at the time of donation were \$8,742 and \$9,723 for the years ended June 30, 2019 and 2018, respectively.

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

	<u>2019</u>	<u>2018</u>
Interest Income	\$ 209	\$ 481
Dividend income	39,440	28,947
Capital gains	20,006	11,831
Realized gain	4,549	24,427
Unrealized gain	<u>29,892</u>	<u>21,058</u>
Total Investment Income	<u>\$ 94,096</u>	<u>\$ 86,744</u>

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2019 and 2018

Note 4. Net Assets - With Donor Restrictions

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>2019</u>	<u>2018</u>
STEAM	\$ 53,350	\$ -
Financial Aid	12,500	6,000
Power Lunch Program	10,000	10,000
Capital Campaign	-	76,005
Annual Fund Party	-	6,115
	<u>75,850</u>	<u>98,120</u>
Total Net Assets Released from Restrictions	\$ <u>75,850</u>	\$ <u>98,120</u>

The ending fund balances for all programs are as follows at June 30,

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Capital Campaign for School Facility Improvements	\$ 35,796	\$ 35,796
Power Lunch Program	10,000	10,000
STEAM	401	-
	<u>46,197</u>	<u>45,796</u>
Total Net Assets - With Donor Restrictions	\$ <u>46,197</u>	\$ <u>45,796</u>

Note 5. Liquidity and Availability of Financial Assets

The Foundation regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Foundation's financial assets, as of June 30, 2019, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

THE EPIPHANY SCHOOL FOUNDATION, INC.

Notes to the Financial Statements (Continued)

June 30, 2019 and 2018

Note 5. Liquidity and Availability of Financial Assets (Continued)

Financial assets:

Cash and cash equivalents	\$ 900,305
Marketable securities	1,395,842
Contributions receivable	5,351
Prepaid expenses	<u>32,627</u>

Total financial assets 2,334,125

Less those unavailable for general expenditures
within one year -

Financial assets available to meet cash needs
for general expenditures within one year \$ 2,334,125

Note 6. Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition of disclosure in the financial statements through October 31, 2019, the day the financial statements were available to be issued. No material subsequent events were identified.