

**EPIPHANY SCHOOL, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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# HESSION & PARE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Epiphany School, Inc.

We have audited the accompanying statements of financial position of the Epiphany School, Inc. (the "School") as of June 30, 2010 and 2009, and the related statement of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Epiphany School, Inc.'s 2009 financial statements, and in our report dated August 25, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2010 and 2009, and the results of its operation 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.

HESSION & PARE, P.C.

Manchester, New Hampshire  
August 31, 2010

EPIPHANY SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Current assets		
Cash and cash equivalents	\$ 1,779,289	\$ 1,568,569
Accounts receivable - other	-	17,041
Current portion of pledges receivable - net	13,000	65,918
Prepaid expenses and other assets	<u>28,312</u>	<u>25,550</u>
Total current assets	<u>1,820,601</u>	<u>1,677,078</u>
Non-current assets		
Pledges receivable - less current portion	-	10,814
Investments - at market	1,084,514	1,013,731
Property and equipment - net	<u>6,424,203</u>	<u>6,650,394</u>
Total non-current assets	<u>7,508,717</u>	<u>7,674,939</u>
Total assets	<u>\$ 9,329,318</u>	<u>\$ 9,352,017</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 79,038	\$ 56,146
Deferred revenue	<u>20,000</u>	<u>24,663</u>
Total liabilities	<u>99,038</u>	<u>80,809</u>
Net assets		
Unrestricted		
Available for operations	7,723,175	7,906,896
Designated for endowment	1,046,116	979,369
Designated for property and equipment	279,274	229,064
Temporarily restricted	<u>181,715</u>	<u>155,879</u>
Total net assets	<u>9,230,280</u>	<u>9,271,208</u>
Total liabilities and net assets	<u>\$ 9,329,318</u>	<u>\$ 9,352,017</u>

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

EPIPHANY SCHOOL, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010  
(With comparative totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010</u>	<u>2009</u>
Revenues					
Contributions	\$ 2,225,711	\$ 251,299	\$ -	\$ 2,477,010	\$ 2,796,410
Investment income	27,707	-	-	27,707	27,834
Other income	159,358	-	-	159,358	77,617
Net assets released from restrictions	225,463	(225,463)	-	-	-
Total revenue	<u>2,638,239</u>	<u>25,836</u>	<u>-</u>	<u>2,664,075</u>	<u>2,901,861</u>
Expenses					
Instruction and student activities	1,780,466	-	-	1,780,466	1,663,304
Operating and maintenance	413,090	-	-	413,090	420,234
Development	335,857	-	-	335,857	282,143
General administration	246,255	-	-	246,255	265,898
Total expenses	<u>2,775,668</u>	<u>-</u>	<u>-</u>	<u>2,775,668</u>	<u>2,631,579</u>
(Decrease) increase in net assets from operations	(137,429)	25,836	-	(111,593)	270,282
Non-operating gains and (losses)					
Realized and unrealized gain (loss) on investments	70,665	-	-	70,665	(201,529)
(Decrease) increase in net assets	(66,764)	25,836	-	(40,928)	68,753
Net assets, beginning of year	<u>9,115,329</u>	<u>155,879</u>	<u>-</u>	<u>9,271,208</u>	<u>9,202,455</u>
Net assets, end of year	<u>\$ 9,048,565</u>	<u>\$ 181,715</u>	<u>\$ -</u>	<u>\$ 9,230,280</u>	<u>\$ 9,271,208</u>

**EPIPHANY SCHOOL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2010  
(With comparative totals for 2009)

	Instruction and Student Activities	Development	School House Operating and Maintenance	General and Administrative	2010	2009
Salaries and wages	\$ 922,908	\$ 177,667	\$ 18,116	\$ 142,360	\$ 1,261,051	\$ 1,189,668
Payroll taxes and benefits	228,687	19,369	3,632	34,851	286,539	272,640
Intern benefits	<u>22,494</u>	-	-	-	<u>22,494</u>	<u>24,918</u>
Total salaries and related expenses	1,174,089	197,036	21,748	177,211	1,570,084	1,487,226
School events	17,141	94,304	-	-	111,445	99,269
Utilities	18,520	-	83,780	-	102,300	86,220
Meals expenses	99,641	-	-	-	99,641	99,455
Repairs and maintenance	17,576	-	74,340	-	91,916	117,994
Financial aid	89,175	-	-	-	89,175	72,162
Professional fees	73,313	75	-	7,310	80,698	85,457
Summer camp	50,000	-	-	-	50,000	50,000
Miscellaneous	24,050	7,549	4,704	927	37,230	19,789
Insurance	2,791	-	-	32,168	34,959	34,347
Printing and copying	7,577	25,624	-	-	33,201	21,657
Educational programs and supplies	32,453	-	-	-	32,453	46,645
Bank, investment and payroll fees	-	-	-	22,666	22,666	23,240
Student transportation	19,210	-	-	-	19,210	15,487
Office supplies	4,381	1,438	4,172	4,036	14,027	13,552
Field trips	9,285	-	-	-	9,285	6,798
Professional development	7,547	680	-	-	8,227	2,346
Dues and subscriptions	5,201	613	-	1,872	7,686	9,769
Postage	143	7,508	-	35	7,686	9,302
Meetings and travel	<u>5,084</u>	<u>1,030</u>	<u>61</u>	<u>30</u>	<u>6,205</u>	<u>9,392</u>
Total expenses before restricted expenses and depreciation	1,657,177	335,857	188,805	246,255	2,428,094	2,310,107
Restricted expenses	91,058	-	-	-	91,058	67,984
Depreciation	<u>32,231</u>	-	<u>224,285</u>	-	<u>256,516</u>	<u>253,488</u>
Total expenses	<u>\$ 1,780,466</u>	<u>\$ 335,857</u>	<u>\$ 413,090</u>	<u>\$ 246,255</u>	<u>\$ 2,775,668</u>	<u>\$ 2,631,579</u>

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

EPIPHANY SCHOOL, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (40,928)	\$ 68,753
Adjustment to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	256,516	253,488
Realized and unrealized (gain) loss on investments	(70,665)	201,529
Decrease (increase) in accounts receivable - other	17,041	(17,041)
Decrease in pledges receivable	63,732	235,824
(Increase) in prepaids and other assets	(2,762)	(12,598)
(Decrease) in deferred revenue	(4,663)	(25,001)
Increase in accounts payable and accrued expenses	22,892	11,293
	<u>241,163</u>	<u>716,247</u>
Net cash provided by operating activities		
	<u>241,163</u>	<u>716,247</u>
Cash flows from investing activities		
Purchases of property and equipment	(30,325)	(51,219)
Net purchases of investments	(118)	(271,831)
	<u>(30,443)</u>	<u>(323,050)</u>
Net cash used in investing activities		
	<u>(30,443)</u>	<u>(323,050)</u>
Increase in cash and cash equivalents	210,720	393,197
Cash and cash equivalents, beginning of year	<u>1,568,569</u>	<u>1,175,372</u>
Cash and cash equivalents, end of year	<u>\$ 1,779,289</u>	<u>\$ 1,568,569</u>

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

## EPIPHANY SCHOOL, INC.

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Nature of business**

The Epiphany School, Inc. (the "School") is an independent middle school dedicated to providing a quality, tuition-free education to boys and girls of all faiths from economically disadvantaged families in Boston's neighborhoods. The School is staffed by master teachers and interns who work closely with the students' families. The School provides an academically challenging and highly structured academic environment along with after school programming to prepare boys and girls for success in high school and in college. The School works to inspire in students a love of learning, an awareness of their own cultures, and an abiding sense of responsibility to their own communities.

##### **Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis and as required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC 958-205 and subsections). This Topic establishes standards for general-purpose external financial statements of not-for-profit organizations, including a statement of financial position, a statement of activities and a statement of cash flows. This Topic further requires classification of net assets and its revenues, expenses, gains and losses into three categories, based on the existence or absence of externally imposed restrictions. The categories, unrestricted, temporarily restricted and permanently restricted net assets are defined as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted – Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the School.

Permanently Restricted – Reflects the historical cost of gifts (and in certain circumstances, the earnings from those gifts), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's audited financial statements for the year ended June 30, 2010 from which the summarized information was derived.



**EPIPHANY SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of demand deposits and highly liquid investments with an initial maturity of three months or less.

**Investments**

The School carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

**Property and equipment**

Property and equipment are recorded at cost or, if acquired by donation, at fair market value at the date of acquisition. Major additions and improvements are capitalized, while ordinary maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets sold or retired are removed from the accounts, and any gains or losses are reflected in the statement of activities.

Assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	20 - 39.5
Furniture, fixtures and equipment	5 - 7
Vehicles	3 - 5

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Concentration of credit risk**

The School maintains its cash balances in two financial institutions located in Boston, Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The School's uninsured cash balances totaled \$172,402 and \$213,031 at June 30, 2010 and 2009, respectively.

**EPIPHANY SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Taxes**

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The School had no unrelated business income at June 30, 2010 and June 30, 2009. Accordingly, no provision for income taxes has been recorded.

**Contributions**

Contributions are recognized when a donor makes an unconditional promise to give to the School. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions determined to be uncollectible are charged-off against the allowance accounts.

**Donated services**

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services.

A substantial number of volunteers have donated significant amounts of their time to the School's program services; however, the value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

**Fair value of financial instruments**

Cash, trade and other accounts receivable, accounts payable, accrued expenses and other liabilities are carried in the financial statements at amounts which approximate fair value due to the inherently short-term nature of the transactions. The fair values determined for financial instruments are estimates, which for certain accounts may differ significantly from the amounts that could be realized upon immediate liquidation.

**EPIPHANY SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

**Functional allocation of expense**

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

**Note 2. PROPERTY AND EQUIPMENT**

Property and equipment comprise of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land, building and improvements	\$ 7,808,148	\$ 7,806,391
Computers and software	354,072	342,368
Equipment	<u>182,372</u>	<u>165,507</u>
	8,344,592	8,314,266
Less accumulated depreciation	<u>(1,920,389)</u>	<u>(1,663,872)</u>
Net property and equipment	<u>\$ 6,424,203</u>	<u>\$ 6,650,394</u>

**Note 3. INVESTMENTS**

Investments are stated at fair market value and consist of the following:

	<u>2010</u>		<u>Unrealized</u>
	<u>Cost</u>	<u>Market</u>	<u>Gain/(Loss)</u>
Mutual funds	\$ 951,474	\$ 1,000,084	\$ 48,610
Other	<u>84,430</u>	<u>84,430</u>	<u>-</u>
Total	<u>\$ 1,035,904</u>	<u>\$ 1,084,514</u>	<u>\$ 48,610</u>
	<u>2009</u>		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized</u>
			<u>Gain/(Loss)</u>
Mutual funds	\$ 748,362	\$ 779,334	\$ 30,972
Other	<u>234,397</u>	<u>234,397</u>	<u>-</u>
Total	<u>\$ 982,759</u>	<u>\$ 1,013,731</u>	<u>\$ 30,972</u>

**EPIPHANY SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. INVESTMENTS (concluded)**

Other investments consist of money market accounts and certificates of deposit. The following tabulation summarizes the relationship between cost and market values of investment assets:

	<u>Cost</u>	<u>Market</u>	Excess of Market <u>Over/(Under) Cost</u>
Balance, end of year	<u>\$1,035,904</u>	<u>\$1,084,514</u>	\$ 48,610
Balance, beginning of year	<u>\$ 982,759</u>	<u>\$1,013,731</u>	<u>30,972</u>
Total increase in unrealized appreciation			<u>\$ 17,638</u>

Investment return is summarized as follows:

	<u>2010</u>	<u>2009</u>
Interest and dividends*	\$ 27,707	\$ 27,834
Net realized gain (loss)	41,903	(92,494)
Net unrealized gain (loss)	<u>28,762</u>	<u>(109,035)</u>
Total investment gain (loss)	<u>\$ 98,372</u>	<u>\$(173,695)</u>

\*Interest includes interest earned on all cash accounts.

**Note 4. PLEDGES RECEIVABLE**

Pledges receivable were as follows at June 30:

	<u>2010</u>	<u>2009</u>
Promise to give to be collected in		
Less than one year	\$ 13,000	\$ 73,440
One to four years	<u>-</u>	<u>14,633</u>
	13,000	88,073
Less discount	<u>-</u>	<u>(11,341)</u>
Net pledges receivable	<u>\$ 13,000</u>	<u>\$ 76,732</u>

**EPIPHANY SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. EMPLOYEE BENEFIT PLANS**

The School established a deferred compensation plan covering all qualified full-time employees beginning after three months of employment. At the present time, the employee may defer an amount annually allowed by law. The School will match the employee's deferment up to one-third of 10% of his/her annual salary. For the years ended June 30, 2010 and 2009, the School's contribution to the plan totaled \$17,006 and \$16,245, respectively.

**Note 6. LEASES**

The School leases equipment with the following future minimum lease payments:

Year ending, <u>June 30.</u>	<u>Total</u>
2011	<u>\$ 1,485</u>
Total	<u><u>\$ 1,485</u></u>

**Note 7. FAIR VALUE MEASUREMENTS**

The School accounts for fair value measurements as required by the Fair Value Measurements and Disclosures Topic of the ASC (ASC 820-10 and subsections), which provides a framework for measuring fair value under generally accepted accounting principles and applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in this Topic, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets' participants at the measurement date. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange market. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers or brokers in active markets. Valuations are obtained by readily available pricing sources for market transactions involving identical assets and liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

**EPIPHANY SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. FAIR VALUE MEASUREMENTS (concluded)**

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to

Fair values of assets measured on a recurring basis at June 30, 2010 and 2009 were as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<b><u>June 30, 2010</u></b>				
Valued on a recurring basis:				
Investments				
Mutual funds	<u>\$ 1,084,514</u>	<u>\$ 1,084,514</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 1,084,514</u>	<u>\$ 1,084,514</u>	<u>\$ -</u>	<u>\$ -</u>
Valued on a non-recurring basis:				
Pledges receivable	<u>\$ 13,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,000</u>
Total	<u>\$ 13,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,000</u>
 <b><u>June 30, 2009</u></b>				
Valued on a recurring basis:				
Investments				
Mutual funds	<u>\$ 1,013,731</u>	<u>\$ 1,013,731</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 1,013,731</u>	<u>\$ 1,013,731</u>	<u>\$ -</u>	<u>\$ -</u>
Valued on a non-recurring basis:				
Pledges receivable	<u>\$ 76,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,732</u>
Total	<u>\$ 76,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,732</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the pledges receivable is estimated at the present value of expected future cash flows. The discount rate used was 0% and 4% in 2010 and 2009, respectively.

**EPIPHANY SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. LINE OF CREDIT**

The School has available a \$400,000 line of credit with a bank. Any amounts drawn on the line of credit are payable on demand with the banks prime interest rate, adjustable on the date of each change. At June 30, 2010 and 2009, there was no outstanding balance on the line of credit.

**Note 9. TEMPORARILY RESTRICTED NET ASSETS**

	<u>2010</u>	<u>2009</u>
Landscaping/fencing	47,575	47,575
Scholarships	34,553	34,553
Let's get ready	20,000	-
Special education	17,806	34,025
Library	11,679	11,716
Green Fund	10,420	10,808
Greenhouse	8,700	8,700
Urban achievers	8,510	-
Technology	7,065	-
Hixon sustainability	6,960	6,960
Outreach/Nurse	6,845	250
Other	1,602	1,292
	<hr/>	<hr/>
Total	<u>\$ 181,715</u>	<u>\$ 155,879</u>

**Note 10. ENDOWMENT FUND ASSETS**

The Not-for-Profit Entities Topic of the ASC (ASC 958-205 and subsections) intends to improve the quality of consistency of financial reporting of endowments held by not-for-profit Organizations. This Topic provides guidance on classifying the net assets associated with donor-restricted endowment funds held by the School that are subject to an enacted version of the Uniform Prudent Management Institutional Funds Act (UPMIFA). Massachusetts has adopted UPMIFA. The Topic also requires additional financial statement disclosures on endowments and related net assets.

EPIPHANY SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10. ENDOWMENT FUND ASSETS (continued)

The School has adopted an investment and spending policy to ensure a total return (income plus capital change) necessary to preserve and enhance the principal of the fund and at the same time, provide a dependable source of support for current operations and programs. The withdrawal from the fund in support of current operations is expected to remain a constant percentage of the total fund, adjusted for new gifts to the fund.

In recognition of the prudence required of fiduciaries, reasonable diversification is sought where possible. Experience has shown financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of investment managers of diverse investment styles. Asset allocation parameters have been developed for various funds within the structure, based on investment objectives, liquidity needs, and time horizon for intended use.

Measurement of investment performance against policy objectives will be computed on a total return basis. Total return is defined as dividend or interest income plus realized and unrealized capital appreciation or depreciation at fair market value.

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<b><u>2010</u></b>				
Investments, beginning of year	\$ 1,013,731	\$ -	\$ -	\$1,013,731
Investment return				
Investment income	27,707	-	-	27,707
Realized gain	41,903	-	-	41,903
Unrealized gain	<u>28,762</u>	<u>-</u>	<u>-</u>	<u>28,762</u>
Total investment return	98,372	-	-	98,372
Appropriation of endowment assets for operations	<u>(27,589)</u>	<u>-</u>	<u>-</u>	<u>(27,589)</u>
Total	<u>\$1,084,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,084,514</u>



**EPIPHANY SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 10. ENDOWMENT FUND ASSETS (concluded)**

Investment composition by fund type:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Undesignated	<u>\$ 1,084,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,084,514</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2009</u>				
Investments, beginning of year	\$ 943,429	\$ -	\$ -	\$943,429
Investment return (loss)				
Investment income	27,834	-	-	27,834
Realized loss	(92,494)	-	-	(92,494)
Unrealized loss	<u>(109,035)</u>	<u>-</u>	<u>-</u>	<u>(109,035)</u>
Total investment return	<u>(173,695)</u>	<u>-</u>	<u>-</u>	<u>(173,695)</u>

Appropriation from operations to endowment assets	<u>243,997</u>	<u>-</u>	<u>-</u>	<u>243,997</u>
Total	<u>\$ 1,013,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,013,731</u>

Investment composition by fund type:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Undesignated	<u>\$ 1,013,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,013,731</u>

**EPIPHANY SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 11. RECLASSIFICATIONS**

Certain accounts in the prior year's financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Note 12. SUBSEQUENT EVENTS**

The Epiphany School, Inc. has evaluated subsequent events through August 31, 2010, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended June 30, 2010.

**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

To the Board of Trustees  
Epiphany School, Inc.

Our report on our audit of the basic financial statements of Epiphany School, Inc., for June 30, 2010 appears on page one. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial ratios are presented for purposes of additional analysis and are 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.

HESSION & PAZAR, P.C.

Manchester, New Hampshire  
August 31, 2010

EPIPHANY SCHOOL, INC.

FINANCIAL RATIOS

JUNE 30, 2010

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**CURRENT RATIO:**

	<u>2010</u>	<u>2009</u>
Current assets	\$ 1,820,601	\$ 1,677,078
Current liabilities	\$ 99,038	\$ 80,809
<b>Ratio</b>	<b>18.38</b>	<b>20.75</b>

This ratio measures Epiphany's ability to pay its current maturing debts. A ratio of 1.5 or greater generally indicates adequate liquidity to pay current debts.

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**DEBT TO EQUITY RATIO:**

	<u>2010</u>	<u>2009</u>
Total liabilities	\$ 99,038	\$ 80,809
Total net assets	\$ 9,230,280	\$ 9,271,208
<b>Ratio</b>	<b>0.01</b>	<b>0.01</b>

This ratio measures the proportion of Epiphany's assets which are externally financed against those provided from accumulated net earnings (net assets). A ratio greater than 1.0 indicates externally that more of the assets are financed.

**EPIPHANY SCHOOL, INC.**

**FINANCIAL RATIOS**

**JUNE 30, 2010**

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**COST OF SUPPORTING SERVICES (Administrative and Fundraising Costs):**

	<u>2010</u>	<u>2009</u>
Total supporting services	\$ 582,112	\$ 548,041
Total revenues	\$ 2,664,075	\$ 2,901,861
<b>Cost of supporting services</b>	<b>22%</b>	<b>19%</b>

This ratio shows how much of each dollar raised goes to the cost of raising and administering those fund National watchdog groups look at percentages as high as 50%. One third (33%) is considered good.

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