Epiphany

THE EPIPHANY SCHOOL, INC.

FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

THE EPIPHANY SCHOOL, INC.

Contents
June 30, 2016 and 2015

AAFCPAs
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Independent Auditor's Report

To the Board of Trustees of
The Epiphany School, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of The Epiphany School, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Epiphany School, Inc. as of June 30, 2016 and 2015, 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.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
September 6, 2016

THE EPIPHANY SCHOOL, INC.

Statements of Financial Position
June 30, 2016 and 2015

Assets	**2016**	**2015**
Current Assets:		
Cash and cash equivalents	$ 1,516,280	$ 1,649,336
Current portion of operating pledges receivable	239,300	92,743
Prepaid expenses and deposits	82,479	7,080
Total current assets	1,838,059	1,749,159
Restricted Campaign Cash	7,095,447	5,001,172
Investments	4,092,665	3,113,556
Operating Pledges Receivable, net of current portion and discount	202,787	157,525
Capital Campaign Pledges Receivable, net of discount	4,854,193	6,100,358
Property and Equipment, net	8,188,358	7,604,308
Total assets	$ 26,271,509	$ 23,726,078
Liabilities and Net Assets		
Current Liabilities:		
Current portion of capital lease obligation	$ 10,820	$ -
Accounts payable and accrued expenses	253,298	85,099
Total current liabilities	264,118	85,099
Capital Lease Obligation, net of current portion	14,490	-
Total liabilities	278,608	85,099
Net Assets:		
Unrestricted:		
Operating	(772,430)	348,355
Board designated	4,030,168	3,051,293
Property and equipment	8,006,490	7,563,696
Total unrestricted	11,264,228	10,963,344
Temporarily restricted	14,728,673	12,677,635
Total net assets	25,992,901	23,640,979
Total liabilities and net assets	$ 26,271,509	$ 23,726,078

The accompanying notes are an integral part of these statements.

THE EPIPHANY SCHOOL, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenues:						
Contributions	$ 2,641,662	$ 666,331	$ 3,307,993	$ 2,851,405	$ 573,161	$ 3,424,566
Investment earnings designated for operations	79,556	-	79,556	73,452	-	73,452
Program fees	70,333	-	70,333	47,748	-	47,748
Rental income and interest	22,674	-	22,674	13,193	-	13,193
Donated services	4,703	-	4,703	16,065	-	16,065
Net assets released from time restrictions	64,424	(64,424)	-	-	-	-
Net assets released from purpose restrictions	407,227	(407,227)	-	313,477	(313,477)	-
Total operating revenues	3,290,579	194,680	3,485,259	3,315,340	259,684	3,575,024
Operating Expenses:						
Instruction and student activities	2,874,721	-	2,874,721	2,633,489	-	2,633,489
Development	522,500	-	522,500	400,410	-	400,410
General and administrative	326,874	-	326,874	337,717	-	337,717
Total operating expenses	3,724,095	-	3,724,095	3,371,616	-	3,371,616
Changes in net assets from operations	(433,516)	194,680	(238,836)	(56,276)	259,684	203,408
Other Revenues (Expenses):						
Capital campaign contributions	-	2,547,935	2,547,935	-	5,807,047	5,807,047
Donated services - capital campaign	135,099	-	135,099	115,147	-	115,147
Investment earnings	72,602	-	72,602	40,468	-	40,468
Net realized and unrealized losses	(20,646)	-	(20,646)	(24,990)	-	(24,990)
Capital campaign expenses	(64,676)	-	(64,676)	(357,685)	-	(357,685)
Investment earnings designated for operations	(79,556)	-	(79,556)	(73,452)	-	(73,452)
Net assets released from capital campaign restrictions	660,116	(660,116)	-	242,538	(242,538)	-
Net assets released from capital restrictions	31,461	(31,461)	-	50,000	(50,000)	-
Total other revenues (expenses)	734,400	1,856,358	2,590,758	(7,974)	5,514,509	5,506,535
Changes in net assets	300,884	2,051,038	2,351,922	(64,250)	5,774,193	5,709,943
Net Assets:						
Beginning of year	10,963,344	12,677,635	23,640,979	11,027,594	6,903,442	17,931,036
End of year	$ 11,264,228	$ 14,728,673	$ 25,992,901	$ 10,963,344	$ 12,677,635	$ 23,640,979

The accompanying notes are an integral part of these statements.

THE EPIPHANY SCHOOL, INC.

Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Changes in net assets	$ 2,351,922	$ 5,709,943
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	246,793	247,280
Net realized and unrealized losses	20,646	24,990
Capital campaign contributions	(2,547,935)	(5,807,047)
Changes in operating assets and liabilities:		
Operating pledges receivable	(191,819)	(179,118)
Prepaid expenses and deposits	(75,399)	23,620
Accounts payable and accrued expenses	52,253	(2,931)
Net cash provided by (used in) operating activities	(143,539)	16,737
Cash Flows from Investing Activities:		
Purchase of property and equipment	(682,600)	(301,924)
Purchase of investments	(1,091,786)	(3,074,297)
Proceeds from sales of investments	92,031	2,114,909
Net cash used in investing activities	(1,682,355)	(1,261,312)
Cash Flows from Financing Activities:		
Principal payments on capital lease obligation	(6,987)	-
Capital contributions released from restricted campaign cash	1,699,825	1,463,969
Net cash provided by financing activities	1,692,838	1,463,969
Net Change in Cash and Cash Equivalents	(133,056)	219,394
Cash and Cash Equivalents:		
Beginning of year	1,649,336	1,429,942
End of year	$ 1,516,280	$ 1,649,336
Supplemental Disclosure of Non-Cash Transactions:		
Property and equipment acquisitions financed via accounts payable	$ 156,558	$ 40,612
Property and equipment acquisitions financed via capital lease	$ 32,297	$ -
Unrealized losses on investments	$ 27,182	$ 6,105

The accompanying notes are an integral part of these statements.

THE EPIPHANY SCHOOL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2016
(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016				2015
	Instruction and Student Activities	Development	General and Adminis-trative	Total	Total
Expenses:					
Salaries and related expenses:					
Salaries and wages	$ 1,367,918	$ 200,748	$ 160,111	$ 1,728,777	$ 1,544,825
Payroll taxes and benefits	354,938	34,177	56,288	445,403	422,842
Intern benefits	2,033	-	-	2,033	3,764
Total salaries and related expenses	1,724,889	234,925	216,399	2,176,213	1,971,431
Other:					
Professional fees	122,473	112,991	24,484	259,948	96,271
Utilities	125,591	8,055	8,055	141,701	138,299
Repairs and maintenance	119,940	5,711	5,711	131,362	167,708
School events	18,053	105,724	-	123,777	106,833
Financial aid	121,235	-	-	121,235	121,394
Meals	97,927	-	-	97,927	95,575
Program and supplies	79,859	89	55	80,003	58,276
Miscellaneous	56,005	15,768	1,412	73,185	54,503
Summer camp facility	68,700	-	-	68,700	70,275
Insurance	14,840	151	22,231	37,222	38,688
Bank, investment and payroll fees	-	-	34,407	34,407	25,033
Office supplies	23,643	3,908	3,582	31,133	34,291
Printing and copying	7,637	15,966	-	23,603	30,546
Student transportation	22,404	-	-	22,404	33,952
Meetings and travel	7,171	5,976	513	13,660	13,339
Dues and subscriptions	7,284	2,516	2,656	12,456	16,943
Professional development	8,701	-	198	8,899	10,144
Postage	84	8,252	-	8,336	11,312
Field trips	6,428	-	-	6,428	13,458
Donated services	-	-	4,703	4,703	16,065
Total expenses before depreciation	2,632,864	520,032	324,406	3,477,302	3,124,336
Depreciation	241,857	2,468	2,468	246,793	247,280
Total expenses	$ 2,874,721	$ 522,500	$ 326,874	$ 3,724,095	$ 3,371,616

THE EPIPHANY SCHOOL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2015

	Instruction and Student Activities	Development	General and Adminis-trative	Total
Expenses:				
Salaries and related expenses:				
Salaries and wages	$ 1,176,549	$ 193,774	$ 174,502	$ 1,544,825
Payroll taxes and benefits	328,805	45,762	48,275	422,842
Intern benefits	3,764	-	-	3,764
Total salaries and related expenses	1,509,118	239,536	222,777	1,971,431
Other:				
Professional fees	67,003	5,091	24,177	96,271
Utilities	122,775	7,762	7,762	138,299
Repairs and maintenance	152,440	7,778	7,490	167,708
School events	18,368	88,465	-	106,833
Financial aid	121,394	-	-	121,394
Meals	95,575	-	-	95,575
Program and supplies	58,246	15	15	58,276
Miscellaneous	46,639	7,074	790	54,503
Summer camp facility	70,275	-	-	70,275
Insurance	14,187	145	24,356	38,688
Bank, investment and payroll fees	-	-	25,033	25,033
Office supplies	28,273	1,741	4,277	34,291
Printing and copying	7,489	23,057	-	30,546
Student transportation	33,952	-	-	33,952
Meetings and travel	9,040	4,292	7	13,339
Dues and subscriptions	12,339	2,198	2,406	16,943
Professional development	10,144	-	-	10,144
Postage	508	10,749	55	11,312
Field trips	13,458	-	-	13,458
Donated services	-	-	16,065	16,065
Total expenses before depreciation	2,391,223	397,903	335,210	3,124,336
Depreciation	242,266	2,507	2,507	247,280
Total expenses	$ 2,633,489	$ 400,410	$ 337,717	$ 3,371,616

1. OPERATIONS AND NONPROFIT STATUS

The Epiphany School, Inc. (the School) is an independent, tuition-free, middle school for children of economically-disadvantaged families from Boston, Massachusetts neighborhoods. The School admits children of diverse faiths, races, cultures, and cognitive profiles, believing in the Episcopal tradition that we find God in and through each other's presence.

Small classes, individualized curricula, and extended school days provide rigorous academic, moral and social instruction. In close partnership with families, we are an innovative learning community that affords structured support to help students thrive. Together, we are a school that never gives up on a child.

We challenge students to discover and develop the fullness of their individual gifts. We seek to prepare graduates who will contribute intelligently, morally, and actively to the society they will inherit.

The School is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The School is also exempt from state income taxes. Donors may deduct contributions made to the School within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

The School prepares its financial statements in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the School. The School has grouped its unrestricted net assets into the following categories:

- **Operating net assets** consist of unrestricted resources available for the School's operations.
- **Property and equipment net assets** reflect amounts expended and resources available for property and equipment.
- **Board designated net assets** represent funds set aside by the Board of Trustees to function as an endowment (Quasi-Endowment). Earnings will be used for strategic expenditures as well as operating expenses as part of the Board approved annual operating budget (see Note 8). The use of these funds requires approval of the Board of Trustees.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts received or committed which are designated by the donors for specific purposes or time frames. These contributions are recorded as temporarily restricted net assets until they are expended in accordance with their restrictions.

Temporarily restricted net assets are available for the following as of June 30:

	2016	2015
Purpose restricted:		
Capital campaign (see Note 10)	$ 14,200,780	$ 12,312,961
Scholarships	62,497	34,253
Special education	9,893	25,681
Foster fund	7,444	7,618
Leadership	5,180	5,180
Sailing	5,151	15,922
Outreach	4,014	6,200
Other	345	19,552
Total purpose restricted	14,295,304	12,427,367
Time restricted	433,369	250,268
Total	$ 14,728,673	$ 12,677,635

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of demand deposits and highly liquid investments with an initial maturity of three months or less, excluding those held as part of the investment portfolio (see Note 3).

Pledges Receivable and Allowance for Doubtful Pledges

Pledges receivable consist of contributions committed to the School (see Note 10). Pledges are recorded at their net present value when unconditionally committed. An allowance for doubtful pledges is calculated based on management's best estimate of the amount of uncollectible pledges. Estimates of uncollectible pledges are based on past collection experience together with a review of the current status of existing receivables. There was no allowance for uncollectible pledges at June 30, 2016 and 2015.

Property and Equipment and Depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life
Buildings and improvements	20 – 40 years
Computers and software	5 – 7 years
Furniture, fixtures and equipment	5 – 7 years

Land is not depreciated.

Fair Value Measurements

The School follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements,* for qualifying assets and liabilities. Fair value is defined as the price that the School would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The School uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the School. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments

Investments (see Note 3) are recorded in the accompanying financial statements at fair value. If an investment is directly held by the School and an active market with quoted prices exists, the market price of an identical security is used to report fair value. As of June 30, 2016, the School maintained other investments in non-publicly traded securities that are valued using the basis of the School's equity in the net asset value (NAV) of the investment vehicle, which has been valued using primarily Level 2 inputs, in accordance with standards pertaining to *Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent).* As of June 30, 2016 and 2015, the School had no plans to sell investments at amounts different from NAV.

A summary of inputs used in valuing the School's investments as of June 30, 2016 and 2015, is included in Note 3.

The Board has established investment policies governing long-term investments, which are held in several investment accounts, based on the purpose for those investment accounts and their earnings. These policies take into account liquidity, risk, and return characteristics appropriate for the different categories of the School's holdings.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Financial Aid

Financial aid is awarded to students who graduate from the School and go on to attend private high schools, which require tuition. Financial aid is awarded based on need and is recorded as an expense when paid by the School to the private high schools.

Income Taxes

The School accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The School has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2016 and 2015.

Subsequent Events

Subsequent events have been evaluated through September 6, 2016, which is the date the financial statements were available to be issued. Except as disclosed in Note 9, there were no events that met the criteria for recognition or disclosure in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Unrestricted contributions are recorded as revenue when received or unconditionally pledged. Restricted contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs associated with purpose restrictions are incurred or time restrictions have lapsed.

Interest and dividends are recognized when earned. Gains and losses are recognized as incurred upon sale or maturity of investments or based on fair value changes during the period.

Program fees and all other revenues are recorded when earned. Rental income is recorded over the term of the lease.

Donated Services

Individuals and other organizations contribute services to the School in support of various aspects of its programs. These services, which are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donors or management, were valued at $4,703 and $16,065 for the years ended June 30, 2016 and 2015, respectively. For the years ended June 30, 2016 and 2015, the School also received $135,099 and $115,147, respectively, of services from other organizations related to the School's capital campaign (see Note 10).

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's estimate of the percentage attributed to each function.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as other revenues (expenses). Other revenues (expenses), consistent with industry practice, include capital contributions and expenses related to the capital campaign (see Note 10), donated services, and investment activity (see Note 3).

Accounting Principle Adoption

In fiscal year 2016, the School adopted FASB Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. As early application is allowed, the School has used the retrospective approach for all periods presented whereby investments for which fair value is measured using the NAV per share practical expedient have been removed from the fair value hierarchy (see Note 3).

3. INVESTMENTS

The following table presents the School's investments by level within the valuation framework (see Note 2) as of June 30:

	2016			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities:				
Non-publicly traded equity fund*	$ -	$ -	$ -	$ 2,634,014
Bond securities:				
Non-publicly traded bond fund*	-	-	-	1,396,154
Mutual and exchange traded funds:				
Balanced funds	53,582	-	-	53,582
Cash and cash equivalents	8,915	-	-	8,915
Total	$ 62,497	$ -	$ -	$ 4,092,665

	2015			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities:				
Non-publicly traded equity fund*	$ -	$ -	$ -	$ 1,992,175
Bond securities:				
Non-publicly traded bond fund*	-	-	-	1,059,118
Mutual and exchange traded funds:				
Balanced funds	53,349	-	-	53,349
Cash and cash equivalents	8,914	-	-	8,914
Total	$ 62,263	$ -	$ -	$ 3,113,556

* In accordance with ASC Topic, *Fair Value Measurements*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Cash equivalent investments are valued based on quoted market prices in active markets. Common stocks, mutual and exchange traded funds are valued based on quoted market prices in active markets.

Investments in non-publicly traded equity and bond funds are held at the reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used to assess the NAV of these external managers vary by asset class. The School monitors the valuation methodologies and practices of these managers.

The School believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2016 and 2015. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

3. INVESTMENTS

Invested resources of the School's endowment as well as other investments are presented as non-current assets. The balances of each were as follows at June 30:

	2016	2015
Endowment investments in securities	$ 4,030,168	$ 3,051,293
Other investments in securities	62,497	62,263
	$ 4,092,665	$ 3,113,556

The following schedule summarizes the components of realized and unrealized gains (losses) on investments for the years ended June 30:

	2016	2015
Realized gains (losses)	$ 1,536	$ (18,885)
Unrealized losses	(22,182)	(6,105)
Net realized and unrealized losses	$ (20,646)	$ (24,990)

Investment management fees were $12,475 and $4,654, which are included in bank, investment and payroll fees in the accompanying statements of functional expenses for the years ended June 30, 2016 and 2015, respectively. Investments are not insured and are subject to ongoing market fluctuations.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2016	2015
Buildings and improvements	$ 8,068,725	$ 8,031,575
Land	1,752,614	1,752,614
Construction in process	1,002,891	272,352
Computers and software	363,095	320,402
Furniture, fixtures and equipment	241,895	221,434
	11,429,220	10,598,377
Less - accumulated depreciation	3,240,862	2,994,069
	$ 8,188,358	$ 7,604,308

During the year ended June 30, 2015, the School began contracting with an architect to begin the plans for the Early Learning Center as part of the capital project (see Note 10). These amounts are classified above as construction in process since the building is not in service.

5. EMPLOYEE BENEFIT PLANS

The School established a deferred compensation plan covering all qualified employees. The employee may defer an amount annually allowed by law. The School will match the employee's deferment up to one-half of 10% of their annual salary. For the years ended June 30, 2016 and 2015, the School's contribution to the plan totaled $36,610 and $28,247, respectively, which is included in payroll taxes and benefits in the accompanying statements of functional expenses.

6. LINE OF CREDIT

The School has a $400,000 line of credit with a bank. Any amounts drawn on the line of credit are payable on demand. Interest accrues on all amounts advanced at a rate equal to the London Interbank Offered Rate (LIBOR) plus 2.5% (2.95% and 2.69% at June 30, 2016 and 2015, respectively). There were no draws on the line of credit during fiscal years 2016 and 2015. The line of credit is unsecured under a non-encumbrance agreement. The line of credit requires the School to meet certain covenants. The School was in compliance with these covenants as of June 30, 2016 and 2015.

7. CONCENTRATION OF CREDIT RISK

The School maintains its cash and cash equivalent balances in various financial institutions insured within limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, balances exceeded the insured amounts. The School has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents. The School performs periodic evaluations of the relative credit standings and limits the amount of credit exposure with these financial institutions.

8. ENDOWMENT

The School follows 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 (3% to 5% of the endowment's average value over the previous twelve quarters), adjusted for new gifts to the fund.

In recognition of the prudence required by 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.

8. ENDOWMENT (Continued)

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

Changes in endowment net assets are as follows:

	Unrestricted
Endowment net assets, June 30, 2014	$ 2,120,096
Contributions	1,000,000
Investment return:	
Realized and unrealized losses	(29,773)
Investment income	36,411
Appropriation for operations	(73,452)
Investment fees	(1,989)
Endowment net assets, June 30, 2015	3,051,293
Contributions	1,019,717
Investment return:	
Realized and unrealized losses	(17,744)
Investment income	68,933
Appropriation for operations	(79,556)
Investment fees	(12,475)
Endowment net assets, June 30, 2016	$ 4,030,168

9. LEASE AGREEMENTS

Operating Leases

The School leases office equipment under operating lease agreements that expires at various times through August 2019. Future minimum lease payments under these agreements are expected as follows:

Fiscal Year	
2017	$ 7,391
2018	$ 7,391
2019	$ 7,391
2020	$ 616

During the years ended June 30, 2016 and 2015, the School incurred equipment lease expenses of approximately $9,600 and $9,000, respectively, which are included in printing and copying in the accompanying statements of functional expenses.

9. LEASE AGREEMENTS (Continued)

Capital Lease

The Organization leased certain equipment in November 2015 with an aggregate cost of $32,297 at June 30, 2016 under a capital lease agreement which expires October 2018. The interest rate under this agreement is 3.82%. Future minimum lease payments under this agreement are as follows:

Fiscal Year	
2017	$ 11,598
2018	11,598
2019	3,250
	26,446
Less – amounts representing interest	1,136
	25,310
Less - current portion	10,820
	$ 14,490

For the years ended June 30, 2016, depreciation expense on equipment purchased under the capital lease was $5,383.

Lessor Agreements

The School had a lease agreement to rent parking spaces. This lease agreement expired in September 2015. From October 2015 to June 2016, the relationship was continued on a month-to-month basis without a formal agreement. Subsequent to year-end, effective July 2016, a formal lease agreement was signed. Rental income was approximately $6,300 and $5,700 for the years ended June 30, 2016 and 2015, respectively, and is included in rental income and interest in the accompanying statements of activities and changes in net assets.

Future minimum lease payments under the above lease agreement is expected to be $6,300 for fiscal year 2017.

10. PLEDGES RECEIVABLE

Capital Campaign

During the year ended June 30, 2014, the School launched a capital campaign to raise $25,000,000 to build capital and support other initiatives identified by the Board of Trustees. The School has recognized $2,547,935 and $5,807,047, respectively, of contributions in connection with the capital campaign and incurred $64,676 and $357,685, respectively, of costs associated with this capital campaign during fiscal years 2016 and 2015.

10. PLEDGES RECEIVABLE (Continued)

Capital Campaign (Continued)

As of June 30, 2016 and 2015, the School has unconditional pledges for the capital campaign which are due as follows:

	2016	2015
Due within one year	$ 2,006,970	$ 2,027,098
Due in two to five years	2,943,458	4,249,772
	4,950,428	6,276,870
Less - discount	96,235	176,512
	$ 4,854,193	$ 6,100,358

Capital campaign pledges receivable are presented as long-term assets regardless of their expected collection dates due to the long-term nature of the intended usage of those contributions.

The capital campaign pledges have been discounted using a 2.0% and 2.5% interest rate at June 30, 2016 and 2015, respectively. Three donors' balances represent approximately 45% and four donors' balances represent approximately 64% of the total outstanding capital campaign pledge balance at June 30, 2016 and 2015, respectively.

The cash received and not spent for the capital campaign is reflected as restricted campaign cash.

Operating

As of June 30, 2016 and 2015, the School has unconditional pledges to be used for the operating budget which are due as follows:

	2016	2015
Due within one year	$ 239,300	$ 92,743
Due in two to five years	210,583	166,243
	449,883	258,986
Less - discount	7,796	8,718
	442,087	250,268
Less - current portion	239,300	92,743
	$ 202,787	$ 157,525

11. RELATED PARTY TRANSACTION

A Board member's nephew is the Chief Operating Officer for a construction company (the Company) engaged by the School. For the year ended June 30, 2016, the School had engaged the Company for $215,284 of services of which $130,284 remain unpaid as of June 30, 2016 and is included in accounts payable on the accompanying statement of financial position. The School did not engage the Company for the year ended June 30, 2015.