Epiphany

THE EPIPHANY SCHOOL, INC.

FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

THE EPIPHANY SCHOOL, INC.

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JUNE 30, 2014 AND 2013

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& BUSINESS ADVISORS

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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, 2014 and 2013, 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, 2014 and 2013, 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
October 2, 2014

THE EPIPHANY SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,737,152	$ 1,345,253
Cash held for others	-	710
Operating pledges receivable	71,150	105,000
Prepaid expenses and deposits	30,700	45,115
Total current assets	1,839,002	1,496,078
INVESTMENTS	2,179,158	1,978,135
CAPITAL CAMPAIGN PLEDGES RECEIVABLE, net of discount	6,451,242	-
PROPERTY AND EQUIPMENT, net	7,509,052	7,717,981
Total assets	$ 17,978,454	$ 11,192,194
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 47,418	$ 105,254
Cash held for others	-	710
Total liabilities	47,418	105,964
NET ASSETS:		
Unrestricted:		
Operating	1,398,446	1,280,578
Board designated	2,120,096	1,927,336
Property and equipment	7,509,052	7,717,981
Total unrestricted	11,027,594	10,925,895
Temporarily restricted	6,903,442	160,335
Total net assets	17,931,036	11,086,230
Total liabilities and net assets	$ 17,978,454	$ 11,192,194

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, 2014 AND 2013

	2014			2013		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
OPERATING REVENUE:						
Contributions	$ 2,554,315	$ 397,846	$ 2,952,161	$ 2,577,790	$ 512,146	$ 3,089,936
Investment earnings designated for operations	71,430	-	71,430	48,747	-	48,747
Program fees	53,375	-	53,375	42,052	-	42,052
Rental income and interest	37,734	-	37,734	27,820	-	27,820
Donated services	10,528	-	10,528	20,181	-	20,181
Net assets released from restrictions:						
Satisfaction of purpose restriction	453,191	(453,191)	-	495,300	(495,300)	-
Satisfaction of time restriction	-	-	-	25,000	(25,000)	-
Total operating revenue	3,180,573	(55,345)	3,125,228	3,236,890	(8,154)	3,228,736
OPERATING EXPENSES:						
Instruction and student activities	2,684,368	-	2,684,368	2,540,877	-	2,540,877
Development	386,857	-	386,857	393,966	-	393,966
General and administrative	312,703	-	312,703	301,891	-	301,891
Total operating expenses	3,383,928	-	3,383,928	3,236,734	-	3,236,734
Changes in net assets from operations	(203,355)	(55,345)	(258,700)	156	(8,154)	(7,998)
OTHER REVENUE (EXPENSES):						
Capital campaign contributions	-	6,881,794	6,881,794	-	-	-
Net realized and unrealized gains	210,219	-	210,219	38,636	-	38,636
Other capital contributions	-	155,000	155,000	-	155,100	155,100
Investment earnings	57,362	-	57,362	65,994	-	65,994
Donated property and equipment	3,903	-	3,903	-	-	-
Investment earnings designated for operations	(71,430)	-	(71,430)	(48,747)	-	(48,747)
Capital campaign expenses	(133,342)	-	(133,342)	-	-	-
Net assets released from capital campaign restrictions	133,342	(133,342)	-	-	-	-
Net assets released from capital restrictions	105,000	(105,000)	-	161,787	(161,787)	-
Total other revenue (expenses)	305,054	6,798,452	7,103,506	217,670	(6,687)	210,983
Changes in net assets	101,699	6,743,107	6,844,806	217,826	(14,841)	202,985
NET ASSETS, beginning of year	10,925,895	160,335	11,086,230	10,708,069	175,176	10,883,245
NET ASSETS, end of year	$ 11,027,594	$ 6,903,442	$ 17,931,036	$ 10,925,895	$ 160,335	$ 11,086,230

The accompanying notes are an integral part of these statements.

THE EPIPHANY SCHOOL, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 6,844,806	$ 202,985
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	255,747	244,917
Net realized and unrealized gains	(210,219)	(38,636)
Capital campaign contributions	(6,881,794)	-
Other capital contributions	(155,000)	(155,100)
Donated property and equipment	(3,903)	-
Changes in operating assets and liabilities:		
Operating pledges receivable	33,850	(25,000)
Prepaid expenses and deposits	14,415	(38,375)
Accounts payable and accrued expenses	(57,836)	(4,988)
Net cash provided by (used in) operating activities	(159,934)	185,803
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(42,915)	(804,415)
Purchase of investments	(980,746)	(694,514)
Proceeds from sales of investments	989,942	669,526
Net cash used in investing activities	(33,719)	(829,403)
CASH FLOW FROM FINANCING ACTIVITY:		
Capital campaign contributions	430,552	-
Other capital contributions	155,000	155,100
Net cash provided by financing activities	585,552	155,100
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	391,899	(488,500)
CASH AND CASH EQUIVALENTS, beginning of year	1,345,253	1,833,753
CASH AND CASH EQUIVALENTS, end of year	$ 1,737,152	$ 1,345,253
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Unrealized gains on investments	$ 94,752	$ 27,927
Disposal of fully depreciated property and equipment	$ 125,685	$ 153,713

The accompanying notes are an integral part of these statements.

THE EPIPHANY SCHOOL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(With Summarized Comparative Totals for the Year Ended June 30, 2013)

	2014				2013
	INSTRUCTION AND STUDENT ACTIVITIES	DEVELOPMENT	GENERAL AND ADMINIS-TRATIVE	TOTAL	TOTAL
EXPENSES:					
Salaries and related expenses:					
Salaries and wages	$ 1,198,456	$ 164,291	$ 153,812	$ 1,516,559	$ 1,426,185
Payroll taxes and benefits	311,470	39,659	54,970	406,099	381,319
Intern benefits	28,660	-	-	28,660	36,289
Total salaries and related expenses	1,538,586	203,950	208,782	1,951,318	1,843,793
Other:					
Repairs and maintenance	131,182	6,487	6,487	144,156	134,392
Utilities	114,219	7,525	7,525	129,269	127,174
Financial aid	118,732	-	-	118,732	101,827
Professional fees	84,724	2,028	29,119	115,871	165,084
School events	19,490	92,977	-	112,467	118,640
Meals	100,515	-	-	100,515	90,760
Miscellaneous	64,937	14,496	6	79,439	74,106
Summer camp facility	75,000	-	-	75,000	50,000
Program and supplies	59,911	10	10	59,931	51,321
Printing and copying	7,392	34,119	-	41,511	25,929
Insurance	14,485	147	18,388	33,020	29,449
Student transportation	31,260	-	-	31,260	34,776
Office supplies	22,707	2,514	4,310	29,531	35,493
Bank, investment and payroll fees	38	-	23,565	23,603	30,572
Professional development	19,269	-	-	19,269	8,464
Field trips	14,555	69	69	14,693	11,717
Meetings and travel	10,075	3,667	28	13,770	17,234
Dues and subscriptions	6,435	1,848	4,855	13,138	10,997
Postage	223	10,930	7	11,160	9,908
Donated services	-	3,533	6,995	10,528	20,181
Total expense before depreciation	2,433,735	384,300	310,146	3,128,181	2,991,817
Depreciation	250,633	2,557	2,557	255,747	244,917
Total expenses	$ 2,684,368	$ 386,857	$ 312,703	$ 3,383,928	$ 3,236,734

The accompanying notes are an integral part of these statements.

THE EPIPHANY SCHOOL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	INSTRUCTION AND STUDENT ACTIVITIES	DEVELOPMENT	GENERAL AND ADMINIS-TRATIVE	TOTAL
EXPENSES:				
Salaries and related expenses:				
Salaries and wages	$ 1,105,672	$ 159,794	$ 160,719	$ 1,426,185
Payroll taxes and benefits	285,594	55,225	40,500	381,319
Intern benefits	36,289	-	-	36,289
Total salaries and related expenses	1,427,555	215,019	201,219	1,843,793
Other:				
Repairs and maintenance	122,690	5,851	5,851	134,392
Utilities	110,214	8,480	8,480	127,174
Financial aid	101,827	-	-	101,827
Professional fees	143,211	7,275	14,598	165,084
School events	20,563	98,077	-	118,640
Meals	90,760	-	-	90,760
Miscellaneous	60,722	12,897	487	74,106
Summer camp facility	50,000	-	-	50,000
Program and supplies	51,275	23	23	51,321
Printing and copying	6,462	19,467	-	25,929
Insurance	12,707	130	16,612	29,449
Student transportation	34,776	-	-	34,776
Office supplies	26,964	4,039	4,490	35,493
Bank, investment and payroll fees	-	-	30,572	30,572
Professional development	8,278	36	150	8,464
Field trips	11,717	-	-	11,717
Meetings and travel	14,063	3,149	22	17,234
Dues and subscriptions	6,886	2,368	1,743	10,997
Postage	188	9,706	14	9,908
Donated services	-	5,000	15,181	20,181
Total expense before depreciation	2,300,858	391,517	299,442	2,991,817
Depreciation	240,019	2,449	2,449	244,917
Total expenses	$ 2,540,877	$ 393,966	$ 301,891	$ 3,236,734

The accompanying notes are an integral part of these statements.

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

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 neighborhoods. We admit 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.

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 footnotes are to the FASB Accounting Standards Codification (ASC).

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 retirement of long-term financing and other strategic expenditures as well as operating expenses as part of the Board approved annual operating budget (see Note 7). The use of these funds requires approval of the Board of Trustees.

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purpose.

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

	2014	2013
Purpose:		
Capital campaign (see Note 10)	$6,748,452	$ -
218 Centre Street	50,000	-
Scholarships	34,253	34,253
Special education	28,653	35,589
Graduate support	8,532	-
Foster fund	7,872	8,530
Other	6,903	3,114
Leadership	5,180	-
Library	4,424	6,463
Outreach	2,779	2,032
Sailing	2,322	3,000
Gear up for college	2,038	4,000
Boys club	2,034	4,275
Intern teaching development	-	14,939
Summer	-	14,493
Young men stepping up	-	10,000
Greenhouse composting	-	7,001
Greenhouse	-	5,547
Student support director	-	5,000
Green fund	-	2,099
Total	$6,903,442	$160,335

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.

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable and Allowance for Doubtful Accounts

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 accounts 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, 2014 and 2013.

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.

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

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.
- Level 2 – Inputs other than quoted prices in active markets 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.

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

Investments

Investments (see Note 2) are recorded at fair value. The School's management values all investments, which are publicly traded, using observable, or Level 1 inputs. Investments are reflected as long-term assets in accordance with the School's intent to hold those investments for long-term purposes.

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 and 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.

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 to the school.

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 statement 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, 2014 and 2013. The School's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Subsequent Events

Subsequent events have been evaluated through October 2, 2014, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and 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 and Property and Equipment

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 \$10,528 and \$20,181 for the years ended June 30, 2014 and 2013, respectively.

During fiscal year 2014, the School received donated property and equipment of \$3,903, which is reflected as donated property and equipment in the accompanying 2014 statement of activities and changes in net assets.

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.

(2) INVESTMENTS

The School's investments are carried at fair value and consist of the following at June 30:

	2014	2013
Mutual and Exchange Traded Funds:		
U.S equities	$ 665,664	$ 391,715
Bond funds	619,548	650,902
International	313,457	267,936
Natural resources	167,667	191,643
Real estate	111,061	119,633
Emerging markets	99,587	118,534
Absolute return	79,941	96,606
Balanced funds	50,150	41,887
Commodities	-	18,898
Cash and cash equivalents:		
Cash	63,171	71,469
Money market fund	8,912	8,912
	$2,179,158	$1,978,135

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

	2014	2013
Unrealized gains	$ 94,752	$27,927
Realized gains	115,467	10,709
Net realized and unrealized gains	$210,219	$38,636

Investment management fees were $1,556 and $7,342, which are included in bank, investment and payroll fees in the accompanying statements of functional expenses for the years ended June 30, 2014 and 2013, respectively. Investments are not insured and are subject to ongoing market fluctuations.

(3) PROPERTY AND EQUIPMENT

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

	2014	2013
Buildings and improvements	$ 7,971,408	$ 7,933,998
Land	1,752,614	1,752,614
Computers and software	320,402	422,964
Furniture, fixtures and equipment	211,417	225,132
	10,255,841	10,334,708
Less - accumulated depreciation	2,746,789	2,616,727
	$ 7,509,052	$ 7,717,981

(4) EMPLOYEE BENEFIT PLANS

The School established a deferred compensation plan covering all qualified employees beginning after three months of employment. 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, 2014 and 2013, the School's contribution to the plan totaled $30,108 and $20,512, respectively, which is included in payroll taxes and benefits in the accompanying statements of functional expenses.

(5) 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% (2.65% and 2.69% at June 30, 2014 and 2013, respectively). There were no draws on the line of credit during fiscal years 2014 and 2013. 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, 2014 and 2013.

(6) CONCENTRATION OF CREDIT RISK

The School maintains its cash and cash equivalents 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.

(7) 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 endowments 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.

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.

(7) ENDOWMENT (Continued)

Changes in endowment net assets are as follows:

	Unrestricted
Endowment net assets, June 30, 2012	$1,868,390
Contributions	15,000
Investment return:	
Investment income	65,782
Realized and unrealized gains	34,253
Appropriation for operations	(48,747)
Investment fees	(7,342)
Endowment net assets, June 30, 2013	1,927,336
Contributions	3,584
Investment return:	
Investment income	57,319
Realized and unrealized gains	204,843
Appropriation for operations	(71,430)
Investment fees	(1,556)
Endowment net assets, June 30, 2014	$2,120,096

(8) CASH HELD FOR OTHERS

The School held and disbursed funds for an entity in fiscal year 2013. At June 30, 2013, the School held $710 for this entity, which was reflected as cash held for others in the accompanying statements of financial position. These funds were disbursed during fiscal year 2014 and the School did not hold funds for this entity at June 30, 2014.

(9) LEASE AGREEMENTS

Equipment 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:

2015	$8,994
2016	$7,391
2017	$7,391
2018	$7,391
2019	$7,391

During the years ended June 30, 2014 and 2013, the School incurred equipment lease expenses of approximately $6,700, which are included in printing and copying in the accompanying statements of functional expenses.

(9) LEASE AGREEMENTS (Continued)

Lessor Agreements

During fiscal year 2013, the School entered into a lease agreement to rent a building the School purchased in 2013 to the building's former owners. This lease terminated in June, 2014. Revenue under this lease was approximately $18,000 and $5,000 for the years ended June 30, 2014 and 2013, respectively, and has been included in rental income in the accompanying statements of activities and changes in net assets.

The School has a lease agreement to rent parking spaces. This lease agreement expires in September, 2015. Rental income was approximately $6,100 and $2,200 for the years ended June 30, 2014 and 2013, respectively, and has been included in rental income in the accompanying statements of activities and changes in net assets.

During fiscal year 2013, the School renewed a lease agreement to lease residential property owned by the School. This lease expired in June, 2014. Revenue under the lease of approximately $6,000 and $11,000 for the years ended June 30, 2014 and 2013, respectively, has been included in rental income in the accompanying statements of activities and changes in net assets.

Future minimum lease payments under the above lease agreements are expected as follows:

2015	$ 6,228
2016	$ 1,575

(10) PLEDGES RECEIVABLE

Capital Campaign

During the year ended June 30, 2014, the School launched a campaign to raise $20,000,000 to build capital and support other initiatives identified by the Board of Trustees. The School has recognized $6,881,794 of contributions in connection with the campaign and incurred $133,342 of costs associated with this campaign during fiscal year 2014.

As of June 30, 2014, the School has unconditional pledges for the capital campaign which are due as follows:

Due within one year	$1,779,499
Due in two to five years	4,908,501
	6,688,000
Less – discount	236,758
	$6,451,242

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 2.5% interest rate. Four donors' balances represent approximately 70% of the total outstanding capital campaign pledge balance at June 30, 2014.

(10) **<u>PLEDGES RECEIVABLE</u>** (Continued)

<u>Operating</u>

Operating pledges receivable were $71,150 at June 30, 2014, and are expected to be collected in fiscal year 2015. Operating pledges receivable were $105,000 at June 30, 2013, and were expected to be collected in fiscal year 2014.

Four donors' balances represented 100% of the total outstanding operating pledge balance at June 30, 2013.

(11) **<u>RECLASSIFICATION</u>**

Certain amounts in the fiscal year 2013 financial statements have been reclassified to conform with the fiscal year 2014 presentation.