



Epiphany

THE EPIPHANY SCHOOL, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

THE EPIPHANY SCHOOL, INC.

Contents
June 30, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Epiphany School, Inc. (a Massachusetts nonprofit corporation) (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Epiphany School, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Boston, Massachusetts
September 20, 2022

THE EPIPHANY SCHOOL, INC.Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 5,942,901	\$ 5,484,065
Restricted cash	78,901	385,820
Operating pledges receivable	9,419	9,419
Accounts receivable	34,052	-
Prepaid expenses and deposits	141,407	141,001
Total current assets	6,206,680	6,020,305
Investments	11,085,134	11,963,721
Capital Campaign Pledges Receivable, net	113,405	109,941
Property and Equipment, net	18,113,158	18,594,372
Total assets	<u>\$ 35,518,377</u>	<u>\$ 36,688,339</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 170,654	\$ 171,597
Net Assets:		
Without donor restrictions:		
Operating	3,639,407	3,606,250
Board designated:		
Building and gap reserves	1,921,986	1,851,557
Endowment	11,023,168	11,917,826
Property and equipment	18,094,711	18,567,387
Total without donor restrictions	34,679,272	35,943,020
With donor restrictions	668,451	573,722
Total net assets	<u>35,347,723</u>	<u>36,516,742</u>
Total liabilities and net assets	<u>\$ 35,518,377</u>	<u>\$ 36,688,339</u>

THE EPIPHANY SCHOOL, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:						
Contributions	\$ 5,593,609	\$ 993,207	\$ 6,586,816	\$ 5,260,786	\$ 895,138	\$ 6,155,924
Program fees	253,908	-	253,908	231,430	-	231,430
Donated goods and services	204,918	-	204,918	136,427	-	136,427
Rental income	5,775	-	5,775	6,300	-	6,300
Net assets released from time restrictions	-	-	-	26,244	(26,244)	-
Net assets released from purpose restrictions	886,177	(886,177)	-	881,118	(881,118)	-
Total operating revenues	<u>6,944,387</u>	<u>107,030</u>	<u>7,051,417</u>	<u>6,542,305</u>	<u>(12,224)</u>	<u>6,530,081</u>
Operating Expenses:						
Instruction and student activities	5,351,138	-	5,351,138	4,714,440	-	4,714,440
Development	898,564	-	898,564	760,024	-	760,024
General and administrative	452,296	-	452,296	397,421	-	397,421
Total operating expenses	<u>6,701,998</u>	<u>-</u>	<u>6,701,998</u>	<u>5,871,886</u>	<u>-</u>	<u>5,871,886</u>
Changes in net assets from operations	<u>242,389</u>	<u>107,030</u>	<u>349,419</u>	<u>670,419</u>	<u>(12,224)</u>	<u>658,195</u>
Other Revenues (Expenses):						
Capital campaign contributions	-	233,521	233,521	-	1,086,427	1,086,427
Endowment contribution	95,416	10,000	105,416	442,047	7,000	449,047
Forgiveness of note payable	-	-	-	631,200	-	631,200
Net assets released from capital campaign restrictions	233,521	(233,521)	-	3,512,847	(3,512,847)	-
Investment return, net	(1,835,074)	(22,301)	(1,857,375)	1,728,924	77,471	1,806,395
Total other revenues (expenses)	<u>(1,506,137)</u>	<u>(12,301)</u>	<u>(1,518,438)</u>	<u>6,315,018</u>	<u>(2,341,949)</u>	<u>3,973,069</u>
Changes in net assets	(1,263,748)	94,729	(1,169,019)	6,985,437	(2,354,173)	4,631,264
Net Assets:						
Beginning of year	<u>35,943,020</u>	<u>573,722</u>	<u>36,516,742</u>	<u>28,957,583</u>	<u>2,927,895</u>	<u>31,885,478</u>
End of year	<u>\$ 34,679,272</u>	<u>\$ 668,451</u>	<u>\$ 35,347,723</u>	<u>\$ 35,943,020</u>	<u>\$ 573,722</u>	<u>\$ 36,516,742</u>

The accompanying notes are an integral part of these statements.

THE EPIPHANY SCHOOL, INC.

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (1,169,019)	\$ 4,631,264
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Forgiveness of note payable	-	(631,200)
Depreciation	699,298	661,540
Net realized and unrealized gains (losses)	2,117,315	(1,727,679)
Capital campaign contributions	(233,521)	(1,086,427)
Endowment contribution	(105,416)	(449,047)
Change in discount on operating pledges receivable	-	(189)
Change in reserve on capital campaign pledges receivable	-	(100,000)
Change in discount on capital campaign pledges receivable	(1,152)	(6,251)
Changes in operating assets and liabilities:		
Operating pledges receivable	-	26,433
Accounts receivable	(34,052)	-
Capital campaign pledges receivable	(2,312)	-
Prepaid expenses and deposits	(406)	21,742
Accounts payable and accrued expenses	7,595	32,280
Net cash provided by operating activities	<u>1,278,330</u>	<u>1,372,466</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(226,622)	(274,812)
Purchase of investments	(1,238,728)	(11,072,753)
Proceeds from sales of investments	-	7,348,607
Net cash used in investing activities	<u>(1,465,350)</u>	<u>(3,998,958)</u>
Cash Flows from Financing Activities:		
Endowment contribution	105,416	449,047
Capital campaign contributions received in cash	233,521	1,447,529
Net cash provided by financing activities	<u>338,937</u>	<u>1,896,576</u>
Net Change in Cash and Cash Equivalents	151,917	(729,916)
Cash and Cash Equivalents:		
Beginning of year	<u>5,869,885</u>	<u>6,599,801</u>
End of year	<u>\$ 6,021,802</u>	<u>\$ 5,869,885</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 1,421</u>	<u>\$ 1,848</u>
Supplemental Disclosure of Non-Cash Transactions:		
Property and equipment acquisitions financed via accounts payable	<u>\$ 18,447</u>	<u>\$ 26,985</u>
Unrealized (losses) gains on investments	<u>\$ (2,117,315)</u>	<u>\$ 777,357</u>

THE EIPHANY SCHOOL, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2022

(With Summarized Comparative Totals for the Year Ended June 30, 2021)

	2022			Total	2021
	Instruction and Student Activities	Development	General and Administrative		Total
Expenses:					
Salaries and related expenses:					
Salaries and wages	\$ 2,599,676	\$ 419,570	\$ 196,132	\$ 3,215,378	\$ 2,756,149
Payroll taxes and benefits	630,510	85,313	62,797	778,620	680,001
Intern benefits	2,997	-	-	2,997	500
Total salaries and related expenses	3,233,183	504,883	258,929	3,996,995	3,436,650
Other:					
Professional fees	171,960	165,806	56,048	393,814	404,888
Utilities	188,117	17,867	9,810	215,794	191,432
Donated goods and services	178,678	700	25,540	204,918	136,427
Repairs and maintenance	176,724	13,162	7,198	197,084	174,677
Financial aid	151,435	-	-	151,435	82,051
Program and supplies	128,646	1,601	765	131,012	234,657
School events	19,511	110,703	-	130,214	59,116
Meals	124,871	-	-	124,871	61,293
Miscellaneous	91,377	14,001	-	105,378	131,988
Insurance	27,980	285	41,236	69,501	60,500
Office supplies	38,612	2,433	5,718	46,763	44,480
Printing and copying	7,463	32,813	-	40,276	47,476
Professional development	38,240	-	-	38,240	48,320
Dues and subscriptions	17,591	15,300	4,176	37,067	16,058
Bank and payroll fees	-	-	35,041	35,041	35,272
Field trips	20,231	-	-	20,231	14,742
Student transportation	19,194	-	-	19,194	1,313
Meetings and travel	15,281	964	-	16,245	17,335
Summer camp facility	14,963	-	-	14,963	1,569
Postage	348	11,053	842	12,243	8,254
Interest	1,421	-	-	1,421	1,848
Total expenses before depreciation	4,665,826	891,571	445,303	6,002,700	5,210,346
Depreciation	685,312	6,993	6,993	699,298	661,540
Total expenses	<u>\$ 5,351,138</u>	<u>\$ 898,564</u>	<u>\$ 452,296</u>	<u>\$ 6,701,998</u>	<u>\$ 5,871,886</u>

THE EPIPHANY SCHOOL, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	<u>Instruction and Student Activities</u>	<u>Develop- ment</u>	<u>General and Adminis- trative</u>	<u>Total</u>
Expenses:				
Salaries and related expenses:				
Salaries and wages	\$ 2,210,831	\$ 354,821	\$ 190,497	\$ 2,756,149
Payroll taxes and benefits	559,310	62,149	58,542	680,001
Intern benefits	500	-	-	500
	<u>2,770,641</u>	<u>416,970</u>	<u>249,039</u>	<u>3,436,650</u>
Total salaries and related expenses				
Other:				
Professional fees	190,089	177,169	37,630	404,888
Utilities	164,050	17,494	9,888	191,432
Donated goods and services	131,556	-	4,871	136,427
Repairs and maintenance	153,775	13,009	7,893	174,677
Financial aid	82,051	-	-	82,051
Program and supplies	215,090	10,570	8,997	234,657
School events	1,914	57,202	-	59,116
Meals	61,293	-	-	61,293
Miscellaneous	124,294	7,227	467	131,988
Insurance	33,600	343	26,557	60,500
Office supplies	32,934	5,722	5,824	44,480
Printing and copying	9,908	37,568	-	47,476
Professional development	46,549	1,421	350	48,320
Dues and subscriptions	13,645	-	2,413	16,058
Bank and payroll fees	-	-	35,272	35,272
Field trips	14,742	-	-	14,742
Student transportation	1,313	-	-	1,313
Meetings and travel	14,900	1,773	662	17,335
Summer camp facility	1,569	-	-	1,569
Postage	370	6,941	943	8,254
Interest	1,848	-	-	1,848
	<u>4,066,131</u>	<u>753,409</u>	<u>390,806</u>	<u>5,210,346</u>
Total expenses before depreciation				
Depreciation	<u>648,309</u>	<u>6,615</u>	<u>6,615</u>	<u>661,540</u>
Total expenses	<u>\$ 4,714,440</u>	<u>\$ 760,024</u>	<u>\$ 397,421</u>	<u>\$ 5,871,886</u>

THE EPIPHANY SCHOOL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

The Epiphany School, Inc. (the School) is an independent school for children of economically disadvantaged families in Boston with scholarships for all. The School admits children of diverse faiths, races, cultures, and cognitive profiles, believing in the Episcopal tradition that the School finds God in and through each other. In close partnership with families and community partners, the School is an innovative learning community. The School offers structured support to enable children to discover and develop the fullness of their individual gifts and to help their families thrive. The School's Early Learning Center (the Center) serves infants, toddlers and preschoolers through a rich, child-centered curriculum and whole-family program model to ensure kindergarten readiness and family self-sufficiency. The School's Middle School offers small classes, individualized curricula, and extended school days providing rigorous academic, moral and social instruction to children in grades five through eight. The School's Graduate Support Program provides abiding personal, educational, and career guidance and assistance to its graduates ensuring they are prepared to contribute intelligently, morally, and actively to the society they will inherit. The School's Teacher Training Program trains aspiring urban teachers, including many of its graduates. The School's Impact Center shares best practices to improve educational outcomes on a broad scale. Together, the School never gives up on a child.

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) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the School. The School has grouped its net assets without donor restrictions into the following categories:

- **Operating net assets** consist of resources without donor restrictions available for the School's operations.
- **Board designated net assets:**
 - Building and gap reserves are funds set aside to maintain the physical infrastructure of the School, along with funds set aside to offset any seasonal and future operating deficits.
 - Endowment represents funds set aside by the Board of Trustees to function as a 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 9). The use of these funds requires approval of the Board of Trustees.
- **Property and equipment net assets** reflect amounts expended and resources available for property and equipment, net of related debt.

THE EPIPHANY SCHOOL, INC.Notes to Financial Statements
June 30, 2022 and 2021**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Net Assets (Continued)***Net Assets With Donor Restrictions*

Net assets with donor restrictions are restricted as follows at June 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Other	\$ 202,530	\$ 101,939
RELATE program	104,419	49,160
UA SAFE School	58,316	25,000
ELC Graduate Support Program	50,500	-
Appreciation on endowment	38,029	60,330
Sailing	7,127	12,035
Foster fund	611	4,051
Scholarships	-	104,288
Graduate support	<u>-</u>	<u>20,000</u>
Total purpose restricted	461,532	376,803
Subject to expenditure for time	9,419	9,419
Funds held in perpetuity	<u>197,500</u>	<u>187,500</u>
Total net assets with donor restrictions	<u>\$ 668,451</u>	<u>\$ 573,722</u>

Net assets with perpetual donor restrictions represent amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent (see Note 9).

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). Restricted cash includes cash received with restrictions imposed by donors (but not yet spent) for the capital campaign (see Note 11).

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the accompanying statements of financial position that sum to the total of the same such amounts in the accompanying statements of cash flows as of and for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,942,901	\$ 5,484,065
Restricted cash	<u>78,901</u>	<u>385,820</u>
Total cash and cash equivalents	<u>\$ 6,021,802</u>	<u>\$ 5,869,885</u>

THE EIPHANY SCHOOL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable and Allowance for Doubtful Pledges

Pledges receivable consist of contributions committed to the School (see Note 11). 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.

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 accompanying statements of activities and changes in net assets.

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

	<u>Estimated Useful Life</u>
Buildings and improvements	20 - 40 years
Computers and software	5 - 7 years
Furniture, fixtures and equipment	5 - 7 years

Land is not depreciated.

The School accounts for the carrying value of its property and equipment in accordance with the requirements of the U.S. GAAP standard on the *Impairment or Disposal of Long-Lived Assets*. As of June 30, 2022 and 2021, the School has not recognized any reduction in the carrying value of its property and equipment when considering this standard.

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 EPIPHANY SCHOOL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

Investments

Investments (see Note 3) are recorded in the accompanying financial statements at fair value.

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 qualifying assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

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.

Financial Aid

Financial aid is awarded to students who graduate from the School and go on to attend private high schools and colleges, 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 and colleges.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, the School must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the School should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. As of June 30, 2022, the School did not have funding commitments for future periods which contained imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations.

Grants and contributions from government agencies, foundations, individuals, and corporations are recorded as revenue and net assets without donor restrictions upon receipt or when unconditionally committed by the donor. Donor restricted grants and contributions that are donations with time or purpose restrictions are recognized as revenues and net assets with donor restrictions when received or when unconditionally committed by the donor. Grants and contributions with donor restrictions are transferred to revenue and net assets without donor restrictions as services are performed and costs are incurred, or pro-rata over the period covered by the grant or contributions as time restrictions lapse. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

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.

Rental income is recorded over the term of the lease.

Program fees and all other revenues are recorded when earned.

Donated Goods and Services

Individuals and other organizations contribute goods and services to the School in support of various aspects of its programs. These goods and 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 \$204,918 and \$136,427 for the years ended June 30, 2022 and 2021, respectively.

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.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and related expenses, which are allocated on the basis of estimates of time and effort; occupancy costs, which are allocated based on employee headcounts within the respective department; depreciation, which is allocated on a square footage basis; and supplies and dues and subscription costs, which are allocated based on usage.

THE EPIPHANY SCHOOL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021. However, the School's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through September 20, 2022, 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.

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. Other revenues (expenses) include capital campaign (see Note 11), forgiveness of note payable (see Note 7), endowment activity (see Note 9), and investment activity (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:

Investment Type	2022			Total
	Level 1	Level 2	Level 3	
Equity securities:				
Publicly traded domestic equity mutual fund	\$ 4,487,594	\$ -	\$ -	\$ 4,487,594
Publicly traded international equity mutual fund	2,859,376	-	-	2,859,376
Bond securities:				
Publicly traded bond mutual funds	<u>3,738,164</u>	<u>-</u>	<u>-</u>	<u>3,738,164</u>
Total	<u>\$ 11,085,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,085,134</u>
Investment Type	2021			Total
	Level 1	Level 2	Level 3	
Equity securities:				
Publicly traded domestic equity mutual fund	\$ 5,179,981	\$ -	\$ -	\$ 5,179,981
Publicly traded international equity mutual fund	3,289,019	-	-	3,289,019
Bond securities:				
Publicly traded bond mutual funds	<u>3,494,721</u>	<u>-</u>	<u>-</u>	<u>3,494,721</u>
Total	<u>\$ 11,963,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,963,721</u>

THE EPIPHANY SCHOOL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

3. INVESTMENTS (Continued)

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

Invested resources of the School's endowment as well as other investments are presented as non-current assets as they are intended to be held for long-term purposes. The balances of each were as follows at June 30:

	<u>2022</u>	<u>2021</u>
Endowment investments in securities	\$ 10,955,655	\$ 11,821,933
Other investments in securities	<u>129,479</u>	<u>141,788</u>
Total	<u>\$ 11,085,134</u>	<u>\$ 11,963,721</u>

The following schedule summarizes the components of investment return, net on investments for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 290,939	\$ 98,416
Net realized gains (losses)	-	950,322
Investment fees	(30,999)	(19,700)
Unrealized gains (losses)	<u>(2,117,315)</u>	<u>777,357</u>
Investment return, net	<u>\$ (1,857,375)</u>	<u>\$ 1,806,395</u>

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:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 21,733,414	\$ 21,672,280
Land	1,752,614	1,752,614
Furniture, fixtures and equipment	661,534	563,546
Computers and software	<u>209,645</u>	<u>150,683</u>
	24,357,207	24,139,123
Less - accumulated depreciation	<u>6,244,049</u>	<u>5,544,751</u>
Property and equipment, net	<u>\$ 18,113,158</u>	<u>\$ 18,594,372</u>

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 half of the employee's deferral up to 10% of their annual salary. For the years ended June 30, 2022 and 2021, the School's contribution to the plan totaled approximately \$85,000 and \$80,000, respectively, which is included in payroll taxes and benefits in the accompanying statements of functional expenses.

THE EPIPHANY SCHOOL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

6. LINES 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 thirty-day London Interbank Offered Rate (LIBOR) plus 2.5% (3.95% and 2.59% at June 30, 2022 and 2021, respectively). There were no draws on the line of credit during fiscal years 2022 and 2021. The line of credit is unsecured under a non-encumbrance agreement. This line of credit requires the School to meet certain covenants. The School was in compliance with these covenants as of June 30, 2022 and 2021.

7. NOTE PAYABLE

The School applied for, and was awarded, a forgivable loan of \$631,200 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were available to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period, as defined in the CARES Act. In November 2020, the School received full forgiveness for this loan from the Small Business Administration (SBA). The release of payment obligations is reflected as forgiveness of note payable in the accompanying fiscal year 2021 statement of activities and changes in net assets.

8. 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.

9. 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 endowment 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.

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.

THE EPIPHANY SCHOOL, INC.Notes to Financial Statements
June 30, 2022 and 2021**9. ENDOWMENT (Continued)**

Changes in endowment net assets are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2020	\$ 6,234,008	\$ 189,194	\$ 6,423,202
Contributions	442,047	7,000	449,047
Resources restricted by Board	3,512,847	-	3,512,847
Investment return	<u>1,728,924</u>	<u>51,636</u>	<u>1,780,560</u>
Endowment net assets, June 30, 2021	11,917,826	247,830	12,165,656
Contributions	95,416	10,000	105,416
Resources restricted by Board	845,000	-	845,000
Investment return	<u>(1,835,074)</u>	<u>(22,301)</u>	<u>(1,857,375)</u>
Endowment net assets, June 30, 2022	<u>\$ 11,023,168</u>	<u>\$ 235,529</u>	<u>\$ 11,258,697</u>

10. LEASE AGREEMENTS**Operating Leases**

The School leases office equipment under operating lease agreements that expire at various times through March 2026. Future minimum lease payments under these agreements are expected as follows:

<u>Fiscal Year</u>	
2023	\$ 73,161
2024	12,164
2025	12,119
2026	<u>1,620</u>
Total	<u>\$ 99,064</u>

During the years ended June 30, 2022 and 2021, the School incurred equipment lease expenses of approximately \$27,000 and \$22,000, respectively, which are included in printing and copying in the accompanying statements of functional expenses.

Lessor Agreements

The School has a lease agreement to rent parking spaces that is renewed annually in July. Rental income was \$5,775 and \$6,300 for the years ended June 30, 2022 and 2021, and is included in rental income in the accompanying statements of activities and changes in net assets.

Subsequent to year-end, effective July 2022, the School entered into a new lease agreement under the same terms. Future minimum lease payments under the lease agreement are expected to be \$6,300 for fiscal year 2023.

THE EPIPHANY SCHOOL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

11. 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. For fiscal years 2022 and 2021, the School has recognized \$233,521 and \$1,086,427, respectively, of contributions in connection with the capital campaign. During the years ended June 30, 2022 and 2021, there were releases of \$233,521 and \$3,512,847, respectively, related to the campaign. The capital campaign has officially concluded in fiscal year 2021.

As of June 30, 2022 and 2021, the School has unconditional pledges for the capital campaign which are due as follows:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 16,250	\$ 50,390
Due in two to five years	<u>99,986</u>	<u>61,230</u>
	116,236	111,620
Less - discount	<u>2,831</u>	<u>1,679</u>
Total	<u>\$ 113,405</u>	<u>\$ 109,941</u>

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% interest rate at June 30, 2022 and 2021. Three donors' balances represent approximately 90% and 71% of the total outstanding capital campaign pledge balance at June 30, 2022 and 2021, respectively.

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

Operating

As of June 30, 2022 and 2021, the School has unconditional pledges to be used for the operating budget which are expected to be collected in the following fiscal year.

12. CONTINGENCIES

During fiscal year 2018, the School received a \$500,000 capital grant from the Commonwealth of Massachusetts, Department of Early Education and Care (EEC), to operate a licensed child care program in the Center (see Note 1). As a condition of the grant, the School must operate the Center in accordance with the agreement for a period of at least twenty-five years under a land use restriction. Violations of the provisions of this agreement will result in the grant funds being due back to EEC. Management expects to comply with the conditions and, therefore, the grant was reported as revenue in the year received.

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the School expects this matter to impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

THE EPIPHANY SCHOOL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

13. LIQUIDITY

The School's financial assets available within one year from the statements of financial position date for general operating expenses are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,942,901	\$ 3,967,673
Operating pledges receivable	9,419	9,419
Accounts receivable	<u>34,052</u>	<u>-</u>
Total financial assets	5,986,372	3,977,092
Contractual or donor-imposed restrictions	<u>(461,532)</u>	<u>(376,803)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,524,840</u>	<u>\$ 3,600,289</u>

Because a donor's restriction requires resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the School invests cash in excess of daily requirements in short-term investments. There is a fund established by the Board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the School also could draw upon available lines of credit (see Note 6) or its endowment fund (see Note 9).

14. RECLASSIFICATION

Certain amounts in the 2021 financial statements have been reclassified to confirm with the 2022 presentation.