

**THE EDISON SCHOOL
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016**

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McMurray & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Edison School, Inc.

We have audited the accompanying financial statements of The Edison School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Edison School as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McMurray & Associates

McMurray & Associates, CPAs
Hendersonville, Tennessee
January 6, 2017

THE EDISON SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Current assets	
Cash	\$ 173,719
Total current assets	<u>173,719</u>
Fixed Assets	
Computer & office equipment	6,496
Less: accumulated depreciation	<u>(1,975)</u>
Net fixed assets	4,521
Total assets	<u><u>\$ 178,240</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accrued liabilities	\$ 5,370
Deferred revenue	<u>4,000</u>
Total current liabilities	9,370
Net assets	
Unrestricted	166,797
Temporarily restricted	<u>2,073</u>
Total net assets	<u>168,870</u>
Total liabilities and net assets	<u><u>\$ 178,240</u></u>

See independent auditor's report and notes to the financial statements

THE EDISON SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Student tuition and fees	\$ 328,277	\$ -	\$ 328,277
Less student aid	(20,950)	-	(20,950)
	<u>307,327</u>	<u>-</u>	<u>307,327</u>
Fundraising	66,225	-	66,225
Contributions	25,018	3,525	28,543
Miscellaneous	297	-	297
Grants	125	34,000	34,125
	<u>91,665</u>	<u>37,525</u>	<u>129,190</u>
Net assets released from restrictions	<u>35,452</u>	<u>(35,452)</u>	<u>-</u>
Total revenues, gains and other support	<u>434,444</u>	<u>2,073</u>	<u>436,517</u>
Expenditures			
Salaries and benefits	269,840	-	269,840
Subcontractors	42,907	-	42,907
Office	7,476	-	7,476
Classroom	22,848	-	22,848
Fundraising	9,918	-	9,918
PTO	4,138	-	4,138
Rent and utilities	34,027	-	34,027
Advertising	5,153	-	5,153
Depreciation	1,975	-	1,975
Bad debt expense	5,085	-	5,085
Other	23,486	-	23,486
Total expenditures	<u>426,853</u>	<u>-</u>	<u>426,853</u>
Increase (decrease) in net assets	7,591	2,073	9,664
Net assets at beginning of year	<u>159,206</u>	<u>-</u>	<u>159,206</u>
Net assets at end of year	<u>\$ 166,797</u>	<u>\$ 2,073</u>	<u>\$ 168,870</u>

See independent auditor's report and notes to the financial statements

THE EDISON SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Operating activities:	
Increase in net assets	\$ 9,664
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	1,975
Decrease in accounts receivable	2,698
Increase in deferred revenue	1,350
Increase in accrued liabilities	1,315
Total adjustments	<u>7,338</u>
Net cash provided by operating activities	17,002
Investing activities:	
Purchase of fixed assets	<u>(6,496)</u>
Net cash used in investing activities	<u>(6,496)</u>
Net increase in cash	10,506
Cash at beginning of year	<u>163,213</u>
Cash at end of year	<u><u>\$ 173,719</u></u>

See independent auditor's report and notes to the financial statements.

THE EDISON SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Edison School (the School) is a private co-educational day school that helps children in grades K-8 with specific learning differences and unique learning styles, develop academically as well as socially and emotionally. The mission of the School is to prepare students to meet the challenges of tomorrow through self-understanding and the creation of healthy compensatory skills. The School is supported primarily through tuition revenues and donations.

B. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the funds are received are reported in the statement of activities as unrestricted.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. The School has no permanently restricted net assets at June 30, 2016.

D. Use of Estimates

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

E. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and on hand as of June 30, 2016.

See independent auditor's report

THE EDISON SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets which was determined to be three years. Depreciation expense for the year ended June 30, 2016 was \$1,975.

The School's capitalization policy requires individual assets to be capitalized if the cost or fair market value exceeds \$1,000. Repair and maintenance costs are expensed as incurred.

G. Revenue Recognition

The school records tuition and fees collected prior to the beginning of each academic year as deferred revenue. Income from tuition and fees is recognized at the beginning of the year when classes begin.

Contributions received are recognized as revenue when the donor's commitment is received.

Grants and contracts consist primarily of contractual agreements with private entities who wish to further the advancement and mission of the school. Revenue is recognized on grants upon receipt of the funds and classified as either unrestricted or temporarily restricted revenue depending upon the grantor's wishes.

H. Advertising Costs

Advertising costs are expensed as occurred. Advertising expense totaled \$5,153 for the year ended June 30, 2016.

I. Income Taxes

The School is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made.

The School's Forms 990, Return of Organization Exempt from Income Tax, for the years 2014, 2015 and 2016 are subject to examination by the IRS, generally for the three years after they are filed.

**THE EDISON SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – LEASE

Beginning in August 2016, the School entered into a new lease agreement with monthly payments of approximately \$6,667 with lease terms extending through July 2019.

Total rent expense was \$30,900 for the year ended June 30, 2016.

NOTE 3 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report which is the date the financial statements were available to be issued.

See independent auditor's report