

**THE EDISON SCHOOL, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 and 2016**

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# MCMURRAY, FOX & ASSOCIATES, PLLC CERTIFIED PUBLIC ACCOUNTANTS

## 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, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 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, Inc. as of June 30, 2017 and 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, Fox & Associates***

McMurray, Fox & Associates, PLLC  
Hendersonville, Tennessee  
February 9, 2018

THE EDISON SCHOOL, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2017 and 2016

	June 30, 2017	June 30, 2016
<b>ASSETS</b>		
Current assets		
Cash , \$5,133 and \$2,073 restricted, respectively	\$ 104,972	\$ 173,719
Total current assets	104,972	173,719
Fixed assets		
Computer & office equipment	6,496	6,496
Less: accumulated depreciation	(4,140)	(1,975)
Net fixed assets	2,356	4,521
Surety bond	1,280	-
Total assets	\$ 108,608	\$ 178,240
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accrued liabilities	\$ 4,966	\$ 5,370
Deferred revenue	3,850	4,000
Total current liabilities	8,816	9,370
Net assets		
Unrestricted	94,659	166,797
Temporarily restricted	5,133	2,073
Total net assets	99,792	168,870
Total liabilities and net assets	\$ 108,608	\$ 178,240

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

**THE EDISON SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Student tuition and fees	\$ 320,377	\$ -	\$ 320,377
Less student aid	(19,150)	-	(19,150)
	<u>301,227</u>	<u>-</u>	<u>301,227</u>
 Fundraising	 36,478	 -	 36,478
Contributions	50,633	5,133	55,766
Miscellaneous	289	-	289
Grants	30,000	-	30,000
	<u>117,400</u>	<u>5,133</u>	<u>122,533</u>
Net assets released from restrictions	<u>2,073</u>	<u>(2,073)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>420,700</u>	 <u>3,060</u>	 <u>423,760</u>
 Expenditures			
Salaries and benefits	276,742	-	276,742
Subcontractors	18,000	-	18,000
Office	5,887	-	5,887
Classroom	14,721	-	14,721
Fundraising	9,508	-	9,508
PTO	4,654	-	4,654
Rent and utilities	102,736	-	102,736
Advertising	6,253	-	6,253
Depreciation	2,165	-	2,165
Bad debt expense	3,450	-	3,450
Other program expenses	48,722	-	48,722
	<u>492,838</u>	<u>-</u>	<u>492,838</u>
 Increase (decrease) in net assets	 (72,138)	 3,060	 (69,078)
 Net assets at beginning of year	 <u>166,797</u>	 <u>2,073</u>	 <u>168,870</u>
 Net assets at end of year	 <u>\$ 94,659</u>	 <u>\$ 5,133</u>	 <u>\$ 99,792</u>

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



**THE EDISON SCHOOL, INC.**  
**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	34,125	-	34,125
	<u>125,665</u>	<u>3,525</u>	<u>129,190</u>
Net assets released from restrictions	<u>1,452</u>	<u>(1,452)</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 program expenses	23,486	-	23,486
	<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, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Operating activities:		
Increase (decrease) in net assets	\$ (69,078)	\$ 9,664
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	2,165	1,975
Decrease in accounts receivable	-	2,698
Increase (decrease) in deferred revenue	(150)	1,350
Increase (decrease) in accrued liabilities	(404)	1,315
Purchase of surety bond	(1,280)	-
Total adjustments	<u>331</u>	<u>7,338</u>
Net cash provided by (used in) operating activities	(68,747)	17,002
Investing activities:		
Purchase of fixed assets	<u>-</u>	<u>(6,496)</u>
Net cash used in investing activities	<u>-</u>	<u>(6,496)</u>
Net increase (decrease) in cash	(68,747)	10,506
Cash at beginning of year	<u>173,719</u>	<u>163,213</u>
Cash at end of year	<u>\$ 104,972</u>	<u>\$ 173,719</u>

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



**THE EDISON SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 and 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Nature of Activities

The Edison School, Inc. (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, 2017 and 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, 2017 and 2016.

THE EDISON SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 and 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 years ended June 30, 2017 and 2016 was \$2,165 and \$1,975, respectively.

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 \$6,253 and \$5,153 for the years ended June 30, 2017 and 2016, respectively.

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.

J. Reclassification

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

**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 with minimum lease payments of \$80,000 per year for fiscal year ending June 30, 2018 and 2019.

**THE EDISON SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 and 2016**

**NOTE 2 – LEASE (continued)**

Total rent expense was \$76,333 and \$30,900 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 3 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 9, 2018, the date the financial statements were available to be issued.