

THE EDISON SCHOOL, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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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. (the School), (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows 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 Edison School, Inc. as of June 30, 2019 and 2018, 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.

McMurray, Fox & Associates

McMurray, Fox & Associates, PLLC
Hendersonville, Tennessee
January 23, 2020

THE EDISON SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
ASSETS		
Current assets		
Cash	\$ 43,879	\$ 72,703
Accounts receivable	2,634	322
Prepaid assets	920	881
Total current assets	<u>47,433</u>	<u>73,906</u>
Fixed assets		
Computer & office equipment	6,496	6,496
Less: accumulated depreciation	<u>(6,496)</u>	<u>(6,305)</u>
Net fixed assets	<u>-</u>	<u>191</u>
Total assets	<u><u>\$ 47,433</u></u>	<u><u>\$ 74,097</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued liabilities	<u>\$ 3,402</u>	<u>\$ 3,745</u>
Total current liabilities	<u>3,402</u>	<u>3,745</u>
Net assets without donor restriction	<u>44,031</u>	<u>70,352</u>
Total net assets	<u><u>44,031</u></u>	<u><u>70,352</u></u>
 Total liabilities and net assets	<u><u>\$ 47,433</u></u>	<u><u>\$ 74,097</u></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, 2019

Revenues, gains and other support	
Student tuition and fees	\$ 174,410
Less: student aid	(1,250)
	<u>173,160</u>
 Fundraising	 3,054
Contributions	67,356
Miscellaneous	61
	<u>70,471</u>
 Total revenues, gains and other support	 <u>243,631</u>
 Expenditures	
Salaries and benefits	203,885
Office	1,882
Classroom	2,178
PTO	966
Professional fees	6,803
Rent and utilities	42,255
Advertising	1,145
Depreciation	191
Other program expenses	10,647
Total expenditures	<u>269,952</u>
 Increase (decrease) in net assets	 (26,321)
 Net assets at beginning of year	 <u>70,352</u>
 Net assets at end of year	 <u><u>\$ 44,031</u></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, 2018

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains and other support			
Student tuition and fees	\$ 325,180	\$ -	\$ 325,180
Less: student aid	(13,902)	-	(13,902)
	<u>311,278</u>	<u>-</u>	<u>311,278</u>
Fundraising	15,520	-	15,520
Contributions	50,705	-	50,705
Miscellaneous	131	-	131
Grants	31,000	-	31,000
	<u>97,356</u>	<u>-</u>	<u>97,356</u>
Net assets released from restrictions	<u>5,133</u>	<u>(5,133)</u>	<u>-</u>
Total revenues, gains and other support	<u>413,767</u>	<u>(5,133)</u>	<u>408,634</u>
Expenditures			
Salaries and benefits	266,715	-	266,715
Subcontractors	18,000	-	18,000
Office	5,283	-	5,283
Classroom	9,167	-	9,167
Fundraising	2,671	-	2,671
PTO	3,762	-	3,762
Rent and utilities	93,720	-	93,720
Advertising	5,751	-	5,751
Depreciation	2,165	-	2,165
Bad debt expense	3,022	-	3,022
Other program expenses	27,818	-	27,818
Total expenditures	<u>438,074</u>	<u>-</u>	<u>438,074</u>
Increase (decrease) in net assets	(24,307)	(5,133)	(29,440)
Net assets at beginning of year	<u>94,659</u>	<u>5,133</u>	<u>99,792</u>
Net assets at end of year	<u>\$ 70,352</u>	<u>\$ -</u>	<u>\$ 70,352</u>

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

THE EDISON SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Operating activities:		
Increase (decrease) in net assets	\$ (26,321)	\$ (29,440)
Adjustments to reconcile increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	191	2,165
(Increase) decrease in accounts receivable	(2,312)	(322)
(Increase) decrease in prepaid assets	(39)	(881)
Increase (decrease) in deferred revenue	-	(3,850)
Increase (decrease) in accrued liabilities	(343)	(1,221)
Surety bond adjustment	-	1,280
Total adjustments	<u>(2,503)</u>	<u>(2,829)</u>
Net cash provided by (used in) operating activities	<u>(28,824)</u>	<u>(32,269)</u>
Net increase (decrease) in cash	(28,824)	(32,269)
Cash at beginning of year	<u>72,703</u>	<u>104,972</u>
Cash at end of year	<u>\$ 43,879</u>	<u>\$ 72,703</u>

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

THE EDISON SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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 Pre-K through 9th 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:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – 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 net assets without donor restrictions. The School has no net assets with donor restrictions as of June 30, 2019 and 2018.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service as instructed by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

See independent auditor's report.

THE EDISON SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018.

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, 2019 and 2018 was \$191 and \$2,165, 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 net assets without donor restriction or net asset with donor restriction depending upon the grantor's wishes.

H. Advertising Costs

Advertising costs are expensed as occurred. Advertising expense totaled \$1,145 and \$5,751 for the years ended June 30, 2019 and 2018, 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.

See independent auditor's report.

THE EDISON SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Reclassification

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

K. Accounts Receivable

Accounts receivable result primarily from uncollected tuition. Accounts receivable is based on managements' evaluation of outstanding receivables at year end. Allowance for doubtful accounts, if any, is provided based on the review of outstanding receivables, management's historical experience, and economic conditions. Uncollectible accounts are expensed in the period such amounts are determined. At June 30, 2019 and 2018, no allowance has been reserved for accounts receivable. Bad debt for the years ended June 30, 2019 and 2018 is \$0 and \$3,022, respectively.

L. New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financials Statements of Not-for-Profit Entities effective for fiscal years beginning after December 15, 2017. The new pronouncement primarily changes net asset presentation from three net asset classifications to net assets with and without donor restrictions. We adopted new guidance July 1, 2018. As of June 30, 2019, the Board does not have any net assets with donor restrictions.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Board adopts as of the specified effective dates. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the financial statements upon adoption.

NOTE 2 – LEASE

The lease with NorthField Church ended July 2019. Total rent expense was \$33,000 and \$72,667 for the years ended June 30, 2019 and 2018, respectively.

NOTE 3 – LIQUIDITY

The School's assets available at June 30, 2019 equates to \$46,513 consisting of cash of \$43,879, and accounts receivable of \$2,634. These assets have no donor restrictions and are therefore available to meet general expenditures. The school operates based on student enrollment.

See independent auditor's report.

THE EDISON SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 3 – LIQUIDITY (CONTINUED)

Therefore, the expenditures are incremental to the number of students enrolled. The financial assets in conjunction with the tuition received will be available for general expenditures for the next fiscal year.

NOTE 4 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 23, 2020, the date the financial statements were available to be issued.