

**THE EDISON SCHOOL, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

## TABLE OF CONTENTS

Independent Auditor's Report	1-2
Statements of Financial Position	3
Statement of Activities as of June 30, 2020	4
Statement of Activities as of June 30, 2019	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11



# 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, 2020 and 2019, 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, 2020 and 2019, 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.

### **Emphasis of Matter**

As more fully described in Note 2 to the financial statements, the School applied for and received funds from the Payroll Protection Plan (PPP) in response to the impact of the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020.

***McMurray, Fox & Associates***

McMurray, Fox & Associates, PLLC  
Hendersonville, Tennessee  
January 11, 2021

THE EDISON SCHOOL, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2020 and 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 76,714	\$ 43,879
Accounts receivable	3,684	2,634
Prepaid assets	<u>8,435</u>	<u>920</u>
Total current assets	<u>88,833</u>	<u>47,433</u>
Fixed assets		
Computer & office equipment	6,496	6,496
Less: accumulated depreciation	<u>(6,496)</u>	<u>(6,496)</u>
Net fixed assets	<u>-</u>	<u>-</u>
Total assets	<u>\$ 88,833</u>	<u>\$ 47,433</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accrued payroll liabilities	\$ 7,596	\$ 3,402
Short-term portion of long-term debt	<u>14,865</u>	<u>-</u>
Total current liabilities	<u>22,461</u>	<u>3,402</u>
Long-term debt - PPP Funds	18,935	-
Net assets without donor restriction	<u>47,437</u>	<u>44,031</u>
Total net assets	<u>47,437</u>	<u>44,031</u>
 Total liabilities and net assets	<u>\$ 88,833</u>	<u>\$ 47,433</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, 2020

	Without Donor Restriction
Revenues, gains and other support	
Student tuition and fees	\$ 191,249
Less: student aid	<u>(2,230)</u>
	189,019
 Fundraising	1,493
Contributions	52,825
In-kind donations	36,000
Grants	8,000
Interest income	<u>48</u>
	<u>98,366</u>
 Total revenues, gains and other support	<u>287,385</u>
 Expenditures	
Salaries and benefits	209,934
Office	4,156
Classroom	6,615
Fundraising	800
PTO	804
Rent and utilities	39,577
Advertising	2,025
Professional fees	6,839
Other program expenses	<u>13,229</u>
Total expenditures	<u>283,979</u>
 Increase (decrease) in net assets	3,406
 Net assets at beginning of year	<u>44,031</u>
 Net assets at end of year	<u><u>\$ 47,437</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

	Without Donor Restriction
Revenues, gains and other support	
Student tuition and fees	\$ 174,410
Less: student aid	<u>(1,250)</u>
	173,160
Fundraising	3,054
Contributions	67,356
Miscellaneous	<u>61</u>
	<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	<u>10,647</u>
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.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 and 2019

	June 30, 2020	June 30, 2019
Operating activities:		
Increase (decrease) in net assets	\$ 3,406	\$ (26,321)
Adjustments to reconcile increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	-	191
(Increase) decrease in accounts receivable	(1,050)	(2,312)
(Increase) decrease in prepaid assets	(7,515)	(39)
Increase (decrease) in accrued liabilities	4,194	(343)
Total adjustments	(4,371)	(2,503)
Net cash provided by (used in) operating activities	(965)	(28,824)
Financing activities		
Receipt of PPP funds	33,800	-
Net cash provided by financing activities	33,800	-
Net increase (decrease) in cash	32,835	(28,824)
Cash at beginning of year	43,879	72,703
Cash at end of year	\$ 76,714	\$ 43,879

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



**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, 2020 and 2019.

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.

THE EDISON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**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, 2020 and 2019.

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, 2020 and 2019 was \$0 and \$191, 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 \$2,025 and \$1,145 for the years ended June 30, 2020 and 2019, 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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

J. 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. As of June 30, 2020 and 2019, no allowance has been reserved for accounts receivable. In addition, no bad debt expense was recorded for years ending June 30, 2020 and 2019.

K. New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Industry Topics of ASC. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to entities in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective with fiscal years beginning January 1, 2020 or after. The Organization does not anticipate a significant impact as a result of the adoption.

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 – DEBT**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating from Wuhan, China (the "COVID-19 outbreak") and risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. This prompted President Trump to sign the "Coronavirus Aid, Relief, and Economic Security (CARES) Act" on March 27, 2020. The CARES Act, among other things, includes provisions relating to refundable payroll, tax credits, deferment of employer's portion of social security payments, net operating loss carryback

See independent auditor's report

**THE EDISON SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 2 – DEBT (CONTINUED)**

periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. On April 6, 2020 the Center's board approved a \$33,800 request of funds that was approved and deposited into the Center's account on April 20, 2020. Management has elected to account for this inflow of cash as a loan accruing interest at 1% per annum. The loan has a maturity date of April 20, 2022. This SBA loan is eligible for forgiveness once certain conditions have been met and the forgiveness application is submitted. Once approved, the loan will be reclassified to a grant.

Of the \$33,800, \$14,865 is due in fiscal year ended June 30, 2021 and \$18,935 is due in fiscal year ended June 30, 2022.

**NOTE 3 – LEASE**

The lease with NorthField Church ended July 2019. Northfield Church donated the rent for fiscal year ended June 30, 2020 thus an in-kind contribution of \$36,000 was recorded. Total rent expense was \$36,000 and \$33,000 for the years ended June 30, 2020 and 2019, respectively.

As noted in Note 5, the School has entered into a lease effective August, 2020 which required three months rent as a prepayment, for a total of \$7,500.

**NOTE 4 – LIQUIDITY**

The School's assets available at June 30, 2020 equates to \$80,398 consisting of cash of \$76,714, and accounts receivable of \$3,684. These assets have no donor restrictions and are therefore available to meet general expenditures. The school operates based on student enrollment. 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 5 – SUBSEQUENT EVENTS**

The School has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2020 through January 11, 2021, the date the financial statements were available to be issued. The school entered into a five-year lease with Ascension Lutheran Church beginning August, 2020 with rent of \$2,500 per month for first six months, \$4,500 per month for second six months and \$3,750 per month beginning year two

See independent auditor's report

THE EDISON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**NOTE 5 – SUBSEQUENT EVENTS (CONTINUED)**

with a 5% increase each year thereafter. In addition, on November 10, 2020, the School submitted the PPP Loan Forgiveness Application.

There were no additional subsequent events that require recognition in the financial statements.