

THE EDISON SCHOOL, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 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. 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 Edison School, Inc. 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 Edison School Inc.'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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards, 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 Edison School Inc.'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 Edison School Inc.'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.

McMurray, Fox & Associates

McMurray, Fox & Associates, PLLC
Hendersonville, Tennessee
November 10, 2022

THE EDISON SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 and 2021

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
ASSETS		
Current assets		
Cash	\$ 129,958	\$ 46,200
Prepaid assets	4,000	-
Total current assets	<u>133,958</u>	<u>46,200</u>
Fixed assets		
Computer & office equipment	6,496	6,496
Less: accumulated depreciation	<u>(6,496)</u>	<u>(6,496)</u>
Net fixed assets	-	-
Total assets	<u>\$ 133,958</u>	<u>\$ 46,200</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued payroll liabilities	\$ 950	\$ 6,266
Accrued rent	7,200	5,759
Unearned revenue	-	15
Total current liabilities	<u>8,150</u>	<u>12,040</u>
Long-term debt	200,000	-
Net assets without donor restriction	(75,192)	34,160
Net assets with donor restriction	<u>1,000</u>	<u>-</u>
Total net assets	<u>(74,192)</u>	<u>34,160</u>
Total liabilities and net assets	<u>\$ 133,958</u>	<u>\$ 46,200</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, 2022

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains and other support			
Student tuition and fees	\$ 595,520	\$ -	\$ 595,520
Less: student aid	(24,500)	-	(24,500)
	<u>571,020</u>	<u>-</u>	<u>571,020</u>
 Fundraising	 16,363	 -	 16,363
Contributions	29,782	-	29,782
Grants	-	1,000	1,000
Interest income	3	-	3
	<u>46,148</u>	<u>1,000</u>	<u>47,148</u>
 Total revenues, gains and other support	 <u>617,168</u>	 <u>1,000</u>	 <u>618,168</u>
Expenditures			
Salaries and benefits	587,098	-	587,098
Office	19,657	-	19,657
Classroom	11,107	-	11,107
Fundraising	3,155	-	3,155
PTO	1,330	-	1,330
Rent and utilities	59,220	-	59,220
Advertising	3,558	-	3,558
Professional fees	7,880	-	7,880
Other program expenses	33,515	-	33,515
	<u>726,520</u>	<u>-</u>	<u>726,520</u>
 Increase (decrease) in net assets	 (109,352)	 1,000	 (108,352)
 Net assets at beginning of year	 <u>34,160</u>	 <u>-</u>	 <u>34,160</u>
 Net assets at end of year	 <u>\$ (75,192)</u>	 <u>\$ 1,000</u>	 <u>\$ (74,192)</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, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains and other support			
Student tuition and fees	\$ 437,117	\$ -	\$ 437,117
Less: student aid	(18,596)	-	(18,596)
	<u>418,521</u>	<u>-</u>	<u>418,521</u>
 Fundraising	7,669	-	7,669
Contributions	36,986	-	36,986
In-kind donations	1,000	-	1,000
Grants	15,270	-	15,270
PPP Forgiveness	33,800	-	33,800
Interest income	29	-	29
	<u>94,754</u>	<u>-</u>	<u>94,754</u>
 Total revenues, gains and other support	<u>513,275</u>	<u>-</u>	<u>513,275</u>
 Expenditures			
Salaries and benefits	379,451	-	379,451
Office	16,693	-	16,693
Classroom	21,226	-	21,226
Fundraising	(800)	-	(800)
PTO	1,514	-	1,514
Rent and utilities	58,393	-	58,393
Advertising	676	-	676
Professional fees	6,985	-	6,985
Other program expenses	42,414	-	42,414
	<u>526,552</u>	<u>-</u>	<u>526,552</u>
 Increase (decrease) in net assets	(13,277)	-	(13,277)
 Net assets at beginning of year	<u>47,437</u>	<u>-</u>	<u>47,437</u>
 Net assets at end of year	<u>\$ 34,160</u>	<u>\$ -</u>	<u>\$ 34,160</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, 2022 and 2021

	June 30, 2022	June 30, 2021
Operating activities:		
Increase (decrease) in net assets	\$ (108,352)	\$ (13,277)
Adjustments to reconcile increase (decrease) in net assets to cash provided by (used in) operating activities:		
Forgiveness of PPP loan	-	(33,800)
(Increase) decrease in accounts receivable	-	3,684
(Increase) decrease in prepaid assets	(4,000)	8,435
Increase (decrease) in accrued liabilities and unearned revenue	(3,890)	4,444
Total adjustments	(7,890)	(17,237)
Net cash provided by (used in) operating activities	(116,242)	(30,514)
Financing activities		
Proceeds from SBA loan	200,000	-
Net cash provided by financing activities	200,000	-
Net increase (decrease) in cash	83,758	(30,514)
Cash at beginning of year	46,200	76,714
Cash at end of year	\$ 129,958	\$ 46,200

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 K through 10th 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 \$1,000 in net assets with donor restrictions as of June 30, 2022. The restriction is for technology for developing better readers. There were no net assets with restrictions as of June 30, 2021.

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.

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, 2022 and 2021.

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. There was no depreciation expense in 2022 or 2021 as all assets are fully depreciated.

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 adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) effective July 1, 2020. There was no significant impact on the financial statements. Contributions are recognized when received. In-kind contributions are recorded based on their estimated values on the date of receipt. All contributions are considered to be without donor restriction unless specifically restricted by the donor. All donor-related restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

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.

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 assets with donor restriction depending upon the grantor's wishes.

See independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Advertising Costs

Advertising costs are expensed as occurred. Advertising expense totaled \$3,558 and \$676 for the years ended June 30, 2022 and 2021, 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. Accounts Receivable

Accounts receivable result primarily from uncollected tuition. Accounts receivable is based on management's 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, 2022 and 2021, no allowance has been reserved for accounts receivable. In addition, no bad debt expense was recorded for years ending June 30, 2022 and 2021.

K. New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, that provided new guidance related to accounting for leases. Under the new guidance, lessees are required to recognize a right-of-use asset and a lease liability for substantially all leases. The new guidance will continue to classify leases as either financing or operating, with classification affecting the pattern of expense recognition. The accounting applied by a lessor under the new guidance will be substantially equivalent to current lease accounting guidance. Entities have the option to adopt the new guidance using a modified retrospective approach through a cumulative effect adjustment to retained earnings applied either to the beginning of the earliest period presented or the beginning of the period of adoption. The new guidance is effective July 1, 2022 for the School.

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 April 13, 2022, the School received a loan from the U.S. Small Business Administration in the amount of \$200,000. Installment principal and interest payments of \$898 monthly will begin twenty-four months from the date of the note with a maturity date of March 13, 2052. The note accrues interest at 2.75% per year and is collateralized by business assets.

See independent auditor's report.

THE EDISON SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – DEBT (CONTINUED)

Payments for the next five years are as follows:

2023	\$	-
2024		-
2025		-
2026		1,243
2027		5,372
After	\$	<u>193,385</u>

NOTE 3 – LEASE

Effective August 2020, the School entered into a five-year lease with Ascension Lutheran Church on an escalating rent scale beginning with \$2,500 for first six months, \$4,500 for the second six months and \$3,750 for the second year increasing 5% annually.

2023	\$	47,063
2024		49,416
2025		51,886
2026		4,341
	\$	<u>152,706</u>

The School recorded a deferred lease liability of \$7,200 as of June 30, 2022 to reflect the lease recorded on a straight-line basis as per ASC 840, Accounting for Leases. Total rent expense for the year ended June 30, 2022 was \$54,191.

NOTE 4 – LIQUIDITY

The School's assets available at June 30, 2022 equate to \$128,958 consisting of cash, reduced by \$1,000 restricted cash. The remaining 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.

See independent auditor's report.

THE EDISON SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 through November 10, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.