

THE EDISON SCHOOL, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 25, 2022

THE EDISON SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 and 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
ASSETS		
Current assets		
Cash	\$ 46,200	\$ 76,714
Accounts receivable	-	3,684
Prepaid assets	-	8,435
Total current assets	<u>46,200</u>	<u>88,833</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><u>\$ 46,200</u></u>	<u><u>\$ 88,833</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued payroll liabilities	\$ 6,266	\$ 7,596
Accrued rent	5,759	-
Short-term portion of long-term debt	-	14,865
Unearned revenue	15	-
Total current liabilities	<u>12,040</u>	<u>22,461</u>
Long-term debt - PPP Funds	-	18,935
Net assets without donor restriction	<u>34,160</u>	<u>47,437</u>
Total net assets	<u>34,160</u>	<u>47,437</u>
Total liabilities and net assets	<u><u>\$ 46,200</u></u>	<u><u>\$ 88,833</u></u>

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

THE EDISON SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
	Without Donor Restriction	Without Donor Restriction
Revenues, gains and other support		
Student tuition and fees	\$ 437,117	\$ 191,249
Less: student aid	(18,596)	(2,230)
	<u>418,521</u>	<u>189,019</u>
 Fundraising	 7,669	 1,493
Contributions	36,986	52,825
In-kind donations	1,000	36,000
Grants	15,270	8,000
PPP Forgiveness	33,800	-
Interest income	29	48
	<u>94,754</u>	<u>98,366</u>
 Total revenues, gains and other support	 <u>513,275</u>	 <u>287,385</u>
 Expenditures		
Salaries and benefits	379,451	209,934
Office	16,693	4,156
Classroom	21,226	6,615
Fundraising	(800)	800
PTO	1,514	804
Rent and utilities	58,393	39,577
Advertising	676	2,025
Professional fees	6,985	6,839
Other program expenses	42,414	13,229
Total expenditures	<u>526,552</u>	<u>283,979</u>
 Increase (decrease) in net assets	 (13,277)	 3,406
 Net assets at beginning of year	 <u>47,437</u>	 <u>44,031</u>
 Net assets at end of year	 <u>\$ 34,160</u>	 <u>\$ 47,437</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, 2021 and 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Operating activities:		
Increase (decrease) in net assets	\$ (13,277)	\$ 3,406
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	(1,050)
(Increase) decrease in prepaid assets	8,435	(7,515)
Increase (decrease) in accrued liabilities and unearned revenue	4,444	4,194
Total adjustments	<u>(17,237)</u>	<u>(4,371)</u>
Net cash provided by (used in) operating activities	<u>(30,514)</u>	<u>(965)</u>
Financing activities		
Receipt of PPP funds	<u>-</u>	<u>33,800</u>
Net cash provided by financing activities	<u>-</u>	<u>33,800</u>
Net increase (decrease) in cash	(30,514)	32,835
Cash at beginning of year	<u>76,714</u>	<u>43,879</u>
Cash at end of year	<u>\$ 46,200</u>	<u>\$ 76,714</u>

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 no net assets with donor restrictions as of June 30, 2021 and 2020.

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.

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THE EDISON SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020.

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 2021 or 2020 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 asset with donor restriction depending upon the grantor's wishes.

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THE EDISON SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Advertising Costs

Advertising costs are expensed as occurred. Advertising expense totaled \$676 and \$2,025 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, no allowance has been reserved for accounts receivable. In addition, no bad debt expense was recorded for years ending June 30, 2021 and 2020.

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 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
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THE EDISON SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – DEBT (CONTINUED)

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 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 School’s board approved a \$33,800 request of funds that was approved and deposited into the School’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 for fiscal year ended June 30, 2020. In fiscal year ended June 30, 2021, the loan was forgiven by the SBA and the School reclassified it to income.

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.

2022	\$	45,750
2023		47,063
2024		49,416
2025		51,886
2026		4,341
	\$	<u>198,456</u>

The School recorded a deferred lease liability of \$5,759 as of June 30, 2021 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, 2021 was \$43,258.

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 for the year ended June 30, 2020.

In addition, the School as a month to month lease with Fairview Church for the right to use up to 5 classrooms for \$100 per student with a minimum of \$1,000 per month.

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**THE EDISON SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 – LIQUIDITY

The School's assets available at June 30, 2021 equates to \$46,200 consisting of cash. 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 25, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.