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THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022 AND 2021

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

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INDEPENDENT AUDITOR’S REPORT

Board of Trustees
Thomas A. Edison Charter School of Wilmington, Inc.
Wilmington, Delaware

Opinion

We have audited the accompanying financial statements of Thomas A. Edison Charter School of Wilmington, Inc. (a nonprofit organization and a component unit of Thomas A. Edison Charter School), 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 accompanying financial statements present fairly, in all material respects, the financial position of Thomas A. Edison Charter School of Wilmington, Inc. as of June 30, 2022 and 2021, and the changes in 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 of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Thomas A. Edison Charter School of Wilmington, 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 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.

Responsibilities of Management for the Financial Statements (Continued)

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 Thomas A. Edison Charter School of Wilmington, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Thomas A. Edison Charter School of Wilmington, 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 Thomas A. Edison Charter School of Wilmington, 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.

Whisman Giordano & Associates, LLC

Newark, Delaware
October 21, 2022

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 951,211	\$ 908,614
Replacement reserve cash	21,567	21,565
Total cash and equivalents	<u>972,778</u>	<u>930,179</u>
Accounts receivable	24,410	-
Due from primary government	<u>-</u>	<u>-</u>
Total current assets	997,188	930,179
PROPERTY AND EQUIPMENT	<u>3,551,919</u>	<u>3,772,892</u>
TOTAL ASSETS	<u><u>\$ 4,549,107</u></u>	<u><u>\$ 4,703,071</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 75,000	\$ 50,040
Due to primary government	7,313	-
Mortgage note payable, current portion	<u>-</u>	<u>-</u>
Total current liabilities	<u>82,313</u>	<u>50,040</u>
NET ASSETS		
Without donor restrictions:		
Net investment in property and equipment	3,551,919	3,772,892
Designated for replacement reserves	475,000	475,000
Available for operations	<u>384,438</u>	<u>350,139</u>
Total without donor restrictions	4,411,357	4,598,031
With donor restrictions	<u>55,437</u>	<u>55,000</u>
Total net assets	<u>4,466,794</u>	<u>4,653,031</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,549,107</u></u>	<u><u>\$ 4,703,071</u></u>

See accompanying notes to financial statements.

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES, GAINS AND OTHER SUPPORT		
Rental revenues	\$ 292,922	\$ 292,922
Contributions	136	143
Interest income	110	297
Total revenues and gains	<u>293,168</u>	<u>293,362</u>
Net assets released from restrictions	4,563	-
Total revenues, gains and other support	<u>297,731</u>	<u>293,362</u>
EXPENSES AND LOSSES		
Program services:		
Construct/maintain school facility	253,286	259,320
Supporting services:		
Management and general	231,119	52,662
Total expenses and losses	<u>484,405</u>	<u>311,982</u>
Change in net assets without donor restrictions	<u>(186,674)</u>	<u>(18,620)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	5,000	55,000
Net assets released from restrictions	(4,563)	-
Change in net assets with donor restrictions	<u>437</u>	<u>55,000</u>
CHANGE IN NET ASSETS	(186,237)	36,380
NET ASSETS		
Beginning of year	<u>4,653,031</u>	<u>4,616,651</u>
End of year	<u>\$ 4,466,794</u>	<u>\$ 4,653,031</u>

See accompanying notes to financial statements.

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Program Services	Management & General	Total Expenses	Program Services	Management & General	Total Expenses
EXPENSES AND LOSSES						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee benefits	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-
Total personnel costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Conferences and conventions	-	8,217	8,217	-	9,384	9,384
Contributions to primary government	-	183,412	183,412	-	2,350	2,350
Interest	-	-	-	4,174	-	4,174
Miscellaneous	-	1,506	1,506	-	125	125
Office expense	-	7,084	7,084	-	1,203	1,203
Professional fees	-	30,900	30,900	-	39,600	39,600
Rent	25,000	-	25,000	25,000	-	25,000
Total other expenses	<u>25,000</u>	<u>231,119</u>	<u>256,119</u>	<u>29,174</u>	<u>52,662</u>	<u>81,836</u>
TOTAL EXPENSES AND LOSSES BEFORE DEPRECIATION AND AMORTIZATION EXPENSE	25,000	231,119	256,119	29,174	52,662	81,836
Depreciation expense	228,286	-	228,286	227,893	-	227,893
Amortization expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,253</u>	<u>-</u>	<u>2,253</u>
TOTAL EXPENSES AND LOSSES	<u>\$ 253,286</u>	<u>\$ 231,119</u>	<u>\$ 484,405</u>	<u>\$ 259,320</u>	<u>\$ 52,662</u>	<u>\$ 311,982</u>

See accompanying notes to financial statements.

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rental activities	\$ 268,512	\$ 292,922
Cash received from contributors	5,136	143
Interest received	110	297
Cash paid to suppliers	(231,159)	(54,935)
Interest paid	-	(4,174)
Net cash provided (used) by operating activities	<u>42,599</u>	<u>234,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(7,313)	-
Net cash provided (used) by investing activities	<u>(7,313)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution for capital renovations and improvement projects	-	55,000
Repayment of mortgage note principal	-	(164,445)
Proceeds from (payments to) primary government	7,313	2,400
Net cash provided (used) by financing activities	<u>7,313</u>	<u>(107,045)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	42,599	127,208
CASH AND EQUIVALENTS		
Beginning of year	<u>930,179</u>	<u>802,971</u>
End of year	<u>\$ 972,778</u>	<u>\$ 930,179</u>

See accompanying notes to financial statements.

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF THE ORGANIZATION

Thomas A. Edison Charter School of Wilmington, Inc. (the Organization) was incorporated as a not-for-profit organization in the State of Delaware on November 12, 1997. The mission of the Organization was to construct a school for grades K through 8 by substantially improving an existing facility. The facility was placed in service July 1, 2000.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The basic financial statements and related notes are representations of management, who is responsible for their integrity and objectivity.

Reporting Entity

The Organization is considered a component unit of Thomas A. Edison Charter School (a State of Delaware Charter School). A component unit, although a legally separate entity, is, in substance, part of the operations of the School. The Organization has no component units for which it is considered financially accountable.

Basis of Financial Statement Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB). FASB codification pertaining to *Not-for-Profit Entities*, ASU No. 2016-14, requires the Organization to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. The net assets and revenues, expenses, gains, and losses are classified based on the existence of, or the absence of, donor-imposed restrictions. Accordingly, net assets and changes therein are classified as described below.

Net assets without donor restrictions are net assets not subject to restrictions imposed by the donor. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may or will be fulfilled by the Organization's actions and/or the passage of time, to meet stipulations or become unrestricted at the date specified by the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Classification of Net Assets

Separate line items may be reported within net assets with donor restrictions or in the notes to the financial statements to distinguish between the types of donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses by Nature and Function

Activities that represent direct conduct or direct supervision of program or other supporting activities would require allocation from management and general activities. Additionally, certain costs benefit more than one function and, therefore, are allocated. The costs of providing various program and administrative activities have been summarized by function in the statement of activities as well as in the statement of functional expenses.

Use of Estimates

Preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, the actual results could differ from those estimates.

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting, and accordingly, reflects all significant receivables, payables, and liabilities. The Organization recognizes revenue when earned and expenses when incurred.

Rental income is recognized as rents become due. Rents received in advance are deferred until earned. The leasing arrangement with the School is on a month-to-month basis and is considered an operating lease.

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted liquid investments with a maturity of three months or less as cash equivalents.

Promises to Give

Unconditional promises are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Allowances are provided for amounts estimated to be uncollectible, which are based on industry trends, geographic area, and an analysis of the collectability of individual pledges. The Organization has no unconditional promises receivable for the years presented.

Conditional promises are recognized when the conditions on which they depend are substantially met. The Organization has no conditional promises for the years presented.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is carried at cost and consists of leasehold improvements. The cost for maintenance and repairs is charged to expense as incurred, and the costs of renewals and betterments are capitalized. When capital assets are sold or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities. The Organization follows the practice of capitalizing all expenses for property and equipment with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

Depreciation is computed using the straight-line method over the estimated useful life of the property and equipment ranging from 15 to 39 years.

Impairment of Long-Lived Assets

In accordance with the Financial Accounting Standards Board statement on *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Organization reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of a capital asset may not be recoverable. If the fair value is less than the carrying amount of the capital asset, an impairment loss is recognized for the difference. No impairment loss was recognized for the years presented.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values as of the date of the donation.

Donated Property and Equipment

Donations of property and equipment are recorded as support without donor restrictions at their estimated fair value as of the date of the donation unless the donor has restricted the donated capital asset for a specific purpose. Capital assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated capital assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired capital asset is placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received no donated services meeting the criteria for the years presented.

Mortgage Financing Costs

Mortgage financing costs of \$108,263 were amortized over the life of the mortgage (20 years) using the straight-line method. At June 30, 2022 and 2021, the accumulated amortization is \$- and \$108,263, respectively.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service (IRS) Code. However, income from certain activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under IRS Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

The Financial Accounting Standards Board on statements pertaining to the *Accounting for Uncertainty in Income Taxes* recognized in the financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken on the federal tax return. The tax returns of the Organization for the prior three years are subject to examination by the IRS, generally for three years after the returns are filed. The tax positions taken by management are based on clear and unambiguous tax law; management has a high level of confidence in the technical merits of the positions taken.

NOTE C - CONCENTRATION OF CREDIT RISK

At June 30, 2022 and 2021, the Organization's deposits are held by one financial institution. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of \$972,838 (book balance of \$972,778) and \$930,179 (book balance of \$930,319), held by the financial institution, are in excess of FDIC insurance limits in the amounts of \$722,838 and \$680,179, respectively, and therefore, any excess (or non-coverage) is exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a financial institution failure, deposits may not be returned to the Organization.

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D - PROPERTY AND EQUIPMENT

The following tables summarize the annual changes to property and equipment:

Description	As of and Year Ended June 30, 2022			
	Beginning Balances	Additions	Deletions	Ending Balances
Leasehold improvements	\$7,933,627	\$ 7,313	\$ -	\$7,940,940
Less: Accumulated depreciation	4,160,735	228,286	-	4,389,021
Net book value	<u>\$3,772,892</u>	<u>\$ (220,973)</u>	<u>\$ -</u>	<u>\$3,551,919</u>

Description	As of and Year Ended June 30, 2021			
	Beginning Balances	Additions	Deletions	Ending Balances
Leasehold improvements	\$7,933,627	\$ -	\$ -	\$7,933,627
Less: Accumulated depreciation	3,932,842	227,893	-	4,160,735
Net book value	<u>\$4,000,785</u>	<u>\$ (227,893)</u>	<u>\$ -</u>	<u>\$3,772,892</u>

NOTE E - MORTGAGE NOTE PAYABLE

On December 12, 2000, the Organization entered into a mortgage note agreement with Delaware Community Investment Corporation (DCIC) in the amount of \$3,037,000, carrying a 7.47% interest rate and a maturity date of January 1, 2021. The note was secured by a leasehold mortgage and security agreement on the real property located at 2200 Locust Street, Wilmington, Delaware. The mortgage note was paid in full as of January 1, 2021.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, net assets with donor restrictions are available for the following purposes or periods:

Description	2022	2021
George W. Bush Foundation - School library books	\$ 437	\$ -
Crystal Trust-Capital renovation and improvement projects	55,000	55,000
Total net assets with donor restrictions	<u>\$ 55,437</u>	<u>\$ 55,000</u>

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The following table summarizes net assets released from restrictions for the years ended June 30, 2022 and 2021:

Description	2022	2021
George W. Bush Foundation - School library books	\$ 4,563	\$ -
Crystal Trust-Capital renovation and improvement projects	-	-
Total net assets with donor restrictions	\$ 4,563	\$ -

NOTE G - LEASING ARRANGEMENTS

The Organization leases the land and the building shell from Phase V of Delaware, Inc. under the terms of an operating leasing arrangement dated August 25, 1999. The arrangement has a term of 45 years, commencing September 1, 2000 (original commitment date was September 1, 1999) and ending August 31, 2044. Thereafter, the lessee shall have the right and option to extend the term of this lease for five consecutive extended terms of ten years each (extended terms) unless and until this lease shall be sooner terminated. The annual lease payment is due and payable the first day of each lease year as follows:

First 5 years	\$1 per annum
6th through 10th year	Not to exceed \$10,000
11th through 15th year	\$15,000 per annum
16th through 20th year	\$20,000 per annum
21st through 25th year	\$25,000 per annum
26th through 45th year	To be negotiated

At June 30, 2022, the minimum future rental payments required under the leasing arrangement having remaining terms for the extended terms in excess of one year for the remaining years in the aggregate are as follows:

Years Ending June 30	Amount
2023	\$ 25,000
2024	25,000
Minimum future rental payments required	\$ 50,000

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G - LEASING ARRANGEMENTS (CONTINUED)

The Organization subleases said property to Thomas A. Edison Charter School (the primary government). Total rental revenue is \$292,922 and \$292,922 for the years ended June 30, 2022 and 2021, respectively.

NOTE H - LIQUIDITY

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's financial assets available within one year of the statement of financial position date (June 30, 2022) for general expenditures are as follows:

Description	Amount
Cash and equivalents	\$ 951,211
Replacement reserve cash	21,567
Total assets available	972,778
Less: Restricted net assets	(55,437)
Total financial assets available to management for general expenditures within one year	\$ 917,341

NOTE I - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued new guidance on leases to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020; however, due to the Covid-19 pandemic, the FASB has deferred implementation to periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of the adoption of the new standard, which includes compiling a list of all contracts that meet the definition of a lease under the new standard to determine the proper classification and accounting treatment, and the ultimate impact the new standard will have on the financial statements.

THOMAS A. EDISON CHARTER SCHOOL OF WILMINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE J - VULNERABILITY DUE TO CONCENTRATION RISK

A significant portion of the Organization's funding is received from Thomas A. Edison Charter School (the School), which is the primary government. The Organization's continued existence is dependent upon the continuation of the relationship with the School.

NOTE K - RISK MANAGEMENT

The School (the primary government) purchases commercial insurance policies on behalf of the Organization (the component unit) in response to risks of loss related to errors or omissions; torts; theft, damages, or destruction of assets; injuries to employees; or acts of God. The payment of premiums for such policies is recorded as an expense of the School, and insurance settlements have not exceeded insurance coverage for the years presented.

NOTE L - COMMITMENTS AND CONTINGENCIES

In the normal course of business there are outstanding various commitments and contingencies in addition to the normal purchases of goods and services. The Organization does not anticipate material losses as a result of these commitments and contingencies.

NOTE M - SUBSEQUENT EVENTS

Management has reviewed and evaluated all subsequent events through the date of the auditor's report, the date the financial statements were available to be issued. Management has determined there are no matters that require adjustment to or disclosure in the financial statements.