

TEACHING MATTERS, INC.

**Financial Statements
for Years Ended
August 31, 2022
and
August 31, 2021**

Independent Auditor's Report

To the Board of Directors
Teaching Matters, Inc.

Opinion

We have audited the accompanying financial statements of Teaching Matters, Inc., (the "Organization") which comprise the statement of financial position as of August 31, 2022 and August 31, 2021 and the related statements of activities 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 Organization as of August 31, 2022 and August 31, 2021 and the results of its activities 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 Organization 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 Organization'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, including omissions, 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 Organization'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 Organization'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.

Condon O'Meara McGinty & Donnelly LLP

TEACHING MATTERS, INC.

Statement of Financial Position

Assets

	<u>August 31</u>	
	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents		
Operating	\$ 2,604,600	\$ 4,665,965
Board designated	1,000,000	1,000,000
Investments at fair value	6,635,202	7,525,280
Accounts receivable, net	673,660	170,180
Contributions receivable	5,251,995	6,117,995
Prepaid expenses	136,760	59,072
Furniture, equipment and leasehold improvements, net	<u>47,030</u>	<u>70,546</u>
Total assets	<u>\$ 16,349,247</u>	<u>\$ 19,609,038</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 287,119	\$ 133,993
Deferred revenue and deposits	<u>132,000</u>	<u>281,665</u>
Total liabilities	<u>419,119</u>	<u>415,658</u>
Net assets		
Without donor restrictions	8,040,003	9,422,209
With donor restrictions	<u>7,890,125</u>	<u>9,771,171</u>
Total net assets	<u>15,930,128</u>	<u>19,193,380</u>
Total liabilities and net assets	<u>\$ 16,349,247</u>	<u>\$ 19,609,038</u>

See notes to financial statements.

TEACHING MATTERS, INC.
Statement of Activities

	Year Ended August 31				
	2022		2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue					
Grants and contributions	\$ 689,435	\$ 1,720,000	\$ 2,409,435	\$ 537,830	\$ 10,061,362
Government grants	-	-	-	808,000	808,000
Program service fees	5,290,094	-	5,290,094	3,121,511	3,121,511
Net assets released from restrictions	<u>3,601,046</u>	<u>(3,601,046)</u>	<u>-</u>	<u>3,233,325</u>	<u>-</u>
Total public support and revenue	<u>9,580,575</u>	<u>(1,881,046)</u>	<u>7,699,529</u>	<u>7,700,666</u>	<u>13,990,873</u>
Expenses					
Program services	8,125,357	-	8,125,357	6,039,256	6,039,256
Management and general Fundraising	1,445,616	-	1,445,616	1,173,834	1,173,834
	511,745	-	511,745	466,665	466,665
Total expenses	<u>10,082,718</u>	<u>-</u>	<u>10,082,718</u>	<u>7,679,755</u>	<u>7,679,755</u>
Increase (decrease) in net assets before other additions	(502,143)	(1,881,046)	(2,383,189)	20,911	6,311,118
Other additions					
Realized and unrealized gains (losses) on investments	(1,175,691)	-	(1,175,691)	1,264,277	1,264,277
Investment return, net	<u>295,628</u>	<u>-</u>	<u>295,628</u>	<u>113,080</u>	<u>113,080</u>
Increase (decrease) in net assets	<u>(1,382,206)</u>	<u>(1,881,046)</u>	<u>(3,263,252)</u>	<u>1,398,268</u>	<u>7,688,475</u>
Net assets, beginning of year	<u>9,422,209</u>	<u>9,771,171</u>	<u>19,193,380</u>	<u>8,023,941</u>	<u>11,504,905</u>
Net assets, end of year	<u>\$ 8,040,003</u>	<u>\$ 7,890,125</u>	<u>\$15,930,128</u>	<u>\$9,422,209</u>	<u>\$19,193,380</u>

See notes to financial statements.

TEACHING MATTERS, INC.

**Statement of Functional Expenses
Year Ended August 31, 2022
(with Summarized Comparative Totals for the Year Ended August 31, 2021)**

	2022		2021
	Program Services	Management and General	Fund- Raising
		Total	Total
Salaries and related	\$6,055,506	\$1,101,691	\$ 316,311
Professional fees	1,135,830	211,911	65,300
Computer software	269,308	5,668	17,972
Meetings, conferences and travel	121,204	14,900	12,646
Occupancy	113,313	20,984	5,596
Dues, fees and subscriptions	75,470	2,130	441
Office supplies	63,251	9,401	15,552
Postage and messengers	21,569	2,963	1,088
Printing and stationery	2,667	901	-
Telephone	39,504	7,315	1,951
Temporary help, recruiting, and training	34,762	-	-
Marketing and promotion	120,094	4,300	71,289
Other	<u>72,879</u>	<u>39,936</u>	<u>3,599</u>
	8,125,357	1,422,100	511,745
Total expenses before depreciation and amortization	-	<u>23,516</u>	<u>23,516</u>
Depreciation and amortization			
Total expenses	<u>\$8,125,357</u>	<u>\$1,445,616</u>	<u>\$ 511,745</u>
			<u>\$7,679,755</u>
			<u>\$10,082,718</u>
			<u>23,516</u>
			<u>7,656,239</u>
			<u>891,662</u>
			<u>163,206</u>
			<u>50,645</u>
			<u>134,829</u>
			<u>63,960</u>
			<u>56,927</u>
			<u>22,996</u>
			<u>67</u>
			<u>12,040</u>
			<u>69,926</u>
			<u>213,997</u>
			<u>83,263</u>

See notes to financial statements.

TEACHING MATTERS, INC.

**Statement of Functional Expenses
Year Ended August 31, 2021**

	Program Services	Management and General	Fund- Raising	Total
Salaries and related	\$4,717,712	\$ 837,945	\$ 337,064	\$5,892,721
Professional fees	615,035	216,627	60,000	891,662
Computer software	130,663	23,208	9,335	163,206
Meetings, conferences and travel	45,430	3,805	1,410	50,645
Occupancy	107,944	19,173	7,712	134,829
Dues, fees and subscriptions	40,822	20,702	2,436	63,960
Office supplies	38,189	11,784	6,954	56,927
Postage and messengers	18,411	3,270	1,315	22,996
Printing and stationery	-	67	-	67
Telephone	9,639	1,712	689	12,040
Temporary help, recruiting, and training	69,926	-	-	69,926
Marketing and promotion	178,997	-	35,000	213,997
Other	66,488	12,025	4,750	83,263
Total expenses before depreciation and amortization	6,039,256	1,150,318	466,665	7,656,239
Depreciation and amortization	-	23,516	-	23,516
Total expenses	\$6,039,256	\$1,173,834	\$ 466,665	\$7,679,755

Total expenses before depreciation and amortization

Depreciation and amortization

Total expenses

See notes to financial statements.

TEACHING MATTERS, INC.

Statement of Cash Flows

	Year Ended	
	August 31	
	<u>2022</u>	<u>2021</u>
Cash from operating activities		
Increase (decrease) in net assets	\$(3,263,252)	\$ 7,688,475
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	23,516	23,516
Realized and unrealized (gains) losses on investments	1,175,691	(1,264,277)
Forgiveness of loan payable	-	(808,000)
(Increase) decrease in assets		
Accounts receivable, net	(503,480)	(66,155)
Contributions receivable	866,000	(4,744,118)
Prepaid expenses	(77,688)	(38,657)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	153,126	(121,382)
Deferred revenue and deposits	(149,665)	183,309
Net cash provided by (used in) operating activities	<u>(1,775,752)</u>	<u>852,711</u>
Cash flows from investing activities		
Proceeds from the sale of investments	27,795	901,378
Purchase of investments	(313,408)	(1,002,738)
Net cash (used in) investing activities	<u>(285,613)</u>	<u>(101,360)</u>
Cash flows from investing activities		
Proceeds from loan payable	<u>-</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(2,061,365)	751,351
Cash and cash equivalents, beginning of year	<u>5,665,965</u>	<u>4,914,614</u>
Cash and cash equivalents, end of year	<u>\$ 3,604,600</u>	<u>\$ 5,665,965</u>
Consists of:		
Cash and cash equivalents – operating	\$ 2,604,600	\$ 4,665,965
Cash and cash equivalents – board designated	<u>1,000,000</u>	<u>1,000,000</u>
Total cash and cash equivalents	<u>\$ 3,604,600</u>	<u>\$ 5,665,965</u>

See notes to financial statements.

TEACHING MATTERS, INC.**Notes to Financial Statements
August 31, 2022 and August 31, 2021****Note 1 – Nature of organization and programs**

Teaching Matters, Inc. is an educational not-for-profit organization, operating in New York City since May 1994. Teaching Matters, Inc.'s mission is to develop and retain great teachers and measurably increase their ability to give students in urban public schools an excellent education.

Teaching Matters, Inc. programs are committed to our mission of developing and retaining great teachers, and measurably increasing their ability to give students -- no matter their zip code -- an excellent education. Our school-based professional learning services effectively transform how educators work together at urban public schools, helping the most effective teachers develop the skills they need to lead their peers and drive school-wide improvement. Through our targeted coaching support, our content experts work side-by-side with teachers, teacher leaders and school leaders to move the needle on student success by significantly increasing teacher effectiveness. In our national service model, available to districts and states, we provide competency-based virtual coaching support to teachers mastering the critical skills of teacher leadership. Successful mastery of these skills results in the award of micro-credentials. For more than 20 years Teaching Matters, Inc. has been working with the New York City public schools and other urban school districts. In our work, we apply research-based and data-driven methods to develop and retain great teachers. We are committed to fostering collaboration, cultivating teacher leaders and using evidence to improve student performance.

Note 2 – Summary of significant accounting policies**Financial reporting**

Teaching Matters, Inc. maintains two classes of net assets, as follows:

Net assets without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed stipulations and may be expendable for any purpose in performing the primary objectives of Teaching Matters, Inc. The Board in agreement with management has set aside a reserve of \$1,000,000 (Board-Designated) to be utilized to fund short-term and medium-term programmatic expansion and other identified strategic initiatives.

Net assets with donor restrictions**Temporary donor restrictions**

Net assets with temporary donor restrictions consist of expendable grants and contributions that relate to future periods. When the 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 reported in the statement of activities as net assets released from restriction. During 2022 and 2021, the assets released from restrictions were used to fund the program described in note 1 to the financial statements.

TEACHING MATTERS, INC.

Notes to Financial Statements (continued)
August 31, 2022 and August 31, 2021Note 2 – Summary of significant accounting policies (continued)Financial reporting (continued)Net assets with donor restrictions (continued)Temporary donor restrictions (continued)

Net assets with temporary donor restrictions activity for the years ended August 31, 2022 and August 31, 2021 are as follows:

	<u>2022</u>			
	<u>Balance at August 31, 2021</u>	<u>Support</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance at August 31, 2022</u>
Time/purpose restricted	<u>\$9,771,171</u>	<u>\$1,720,000</u>	<u>\$(3,601,046)</u>	<u>\$7,890,125</u>
	<u>2021</u>			
	<u>Balance at August 31, 2020</u>	<u>Support</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance at August 31, 2021</u>
Time/purpose restricted	<u>\$3,480,964</u>	<u>\$9,523,532</u>	<u>\$(3,233,325)</u>	<u>\$9,771,171</u>

Grants and contributions

Teaching Matters, Inc. reports contributions that are unrestricted as public support without donor restrictions. Grants and contributions that are received with donor stipulations that limit the use of the donated assets are recorded as support with donor restrictions. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, net assets with temporary donor restrictions are reclassified to net assets without donor restricted and reported in the statement of activities as net assets released from restrictions.

Cash equivalents

Teaching Matters, Inc. considers cash equivalents to be highly liquid investments with original maturities of 90 days or less.

Investments

Investments are measured at fair value in the statement of financial position. Investment return (including gains and losses on investments, interest and dividends net of investment fees) is included in the statement of activities.

TEACHING MATTERS, INC.**Notes to Financial Statements (continued)
August 31, 2022 and August 31, 2021****Note 2 – Summary of significant accounting policies (continued)**Fair value measurements

Accounting principles generally accepted in The United States of America establish a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad levels. Level 1 inputs are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are defined as observable inputs other than Level 1 prices, such as quoted prices of similar assets, quoted prices in markets with insufficient volume or infrequent transactions (less active markets). Level 3 inputs are unobservable inputs that are significant in the measurement of fair value. Teaching Matters Inc. investments consist of mutual funds which are Level 1 inputs.

Allowance for doubtful accounts

As of August 31, 2022 and August 31, 2021, Teaching Matters, Inc. has an allowance for doubtful accounts of \$50,000 for any potentially uncollectible accounts receivable. There is no allowance for contributions receivable. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Furniture, equipment and leasehold improvements

Expenditures for furniture, equipment and leasehold improvements over a nominal amount are capitalized and recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated lives of the assets ranging from three to seven years.

Program service fees

Teaching Matters, Inc. reports fees generated from schools as program revenue when services are rendered and the terms of the contracts are met.

Contributed nonfinancial assets

Contributions of nonfinancial assets are recognized if the contributions received create or enhance nonfinancial assets or require skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

Functional allocation of expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses attributable to more than one functional expense are allocated based on time and effort.

TEACHING MATTERS, INC.

Notes to Financial Statements (continued)
August 31, 2022 and August 31, 2021

Note 2 – Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Concentrations of credit risk

Teaching Matters, Inc.'s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, accounts receivable and contributions receivable. Teaching Matters, Inc. places its cash and cash equivalents with what it believes to be quality financial institutions. Teaching Matters, Inc. has not experienced any losses in such bank accounts to date. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to changes in interest rates, market volatility, liquidity and credit risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at August 31, 2022. Teaching Matters, Inc. monitors the collectibility of its receivables on an on going basis. As a result, Teaching Matters, Inc.'s management believes concentrations of credit risk are limited.

Subsequent events

Teaching Matters, Inc. has evaluated events and transactions for potential recognition or disclosure through December 19, 2022, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and availability of financial assets

Teaching Matters, Inc. working capital and cash flows have seasonal variations during the fiscal year attributable to the timing when donors make contributions and other revenue items.

The following is a summary of Teaching Matters, Inc's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of internal and external restrictions.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,604,600	\$ 5,665,965
Investments, at fair value	6,635,202	7,525,280
Contributions receivable	5,251,995	6,117,995
Accounts receivable, net	<u>673,660</u>	<u>170,180</u>
Total	<u>\$16,165,457</u>	<u>\$ 19,479,420</u>
Less: restricted financial assets	<u>8,890,125</u>	<u>10,771,171</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 7,275,332</u>	<u>\$ 8,708,249</u>

TEACHING MATTERS, INC.

Notes to Financial Statements (continued)

August 31, 2022 and August 31, 2021

Note 4 – Contributions receivable

As of August 31, 2022, contributions receivable are due to be collected as follows:

Due in fiscal 2023	\$ 2,344,000
Due in fiscal 2024	1,700,000
Due in fiscal 2025	<u>1,207,995</u>
Total	<u>\$ 5,251,995</u>

Notes 5 – Investments

The following is a summary of investments held as of August 31, 2022 and 2021:

	<u>August 31, 2022</u>		<u>August 31, 2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 5,956,027</u>	<u>\$ 6,635,202</u>	<u>\$ 5,670,929</u>	<u>\$ 7,525,280</u>

Note 6 – Furniture, equipment and leasehold improvements

The following is a summary of furniture, equipment and leasehold improvements as of August 31, 2022 and August 31, 2021:

	<u>August 31</u>	
	<u>2022</u>	<u>2021</u>
Furniture, equipment and leasehold improvements	\$ 728,906	\$ 728,906
Less: accumulated depreciation and amortization	<u>681,876</u>	<u>658,360</u>
Net property and equipment	<u>\$ 47,030</u>	<u>\$ 70,546</u>

Note 7 – Retirement plan

Teaching Matters, Inc. maintains a defined contribution retirement plan and a tax-deferred annuity plan (the “Plan”) covering all eligible employees. All eligible employees may begin participation in the Plan on the first of the month following employment at Teaching Matters, Inc. Eligible employees may defer a portion of their earnings in accordance with the Internal Revenue Code, with a corresponding matching contribution by Teaching Matters, Inc. not to exceed 6% of their regular salary. Teaching Matters, Inc. begins matching contributions to eligible employees after one year of service.

TEACHING MATTERS, INC.

**Notes to Financial Statements (continued)
August 31, 2022 and August 31, 2021**

Note 7 – Retirement plan (continued)

Employees can make additional voluntary tax deferred contributions to the Plan through further salary reductions. Contributions are invested in the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Total retirement benefit costs for the year ended August 31, 2022 and August 31, 2021 were \$157,185 and \$155,452, respectively.

Note 8 – Loan payable

During May 2020, Teaching Matters, Inc. applied for and received \$808,000 under the Paycheck Protection Program (“PPP”) which is a loan program established under the Coronavirus Aid, Relief, and Economic Security Act. During June 2021, the PPP loan was forgiven in its entirety and is reflected as a government grant on the 2021 statement of activities.

Note 9 – Commitment

On January 1, 2020, Teaching Matters, Inc. (tenant) entered into a new lease of its premises expiring December 31, 2024. The rent is based on the amount equal to the tenant’s proportionate share of landlord’s carrying, maintenance, operating and depreciation charge, and the amount of scheduled contributions to the landlord’s capital improvement fund, as outlined in the lease. The monthly base rent for 2022 and 2021 was \$11,007, respectively.

As of August 31, 2022, future annual minimum lease payments under the lease are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2023	\$ 132,084
2024	132,084
2025	<u>44,028</u>
Total	<u>\$ 308,196</u>

Note 10 – Tax status

Teaching Matters, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, Teaching Matters, Inc. has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation under the meaning of Section 509(a)(1) of the Code.