

TEACHING MATTERS, INC.

**Financial Statements
for Years Ended
August 31, 2021
and
August 31, 2020**

Independent Auditor's Report

To the Board of Directors
Teaching Matters, Inc.

We have audited the accompanying financial statements of Teaching Matters, Inc. which comprise the statement of financial position as of August 31, 2021 and August 31, 2020 and the related statements of activities, functional expenses 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 Teaching Matters, Inc. as of August 31, 2021 and August 31, 2020 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.

Condon O'Meara McGinty & Donnelly LLP

TEACHING MATTERS, INC.

Statement of Financial Position

Assets

	<u>August 31</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents		
Operating	\$ 4,665,965	\$ 3,914,614
Board designated	1,000,000	1,000,000
Investments at fair value	7,525,280	6,159,643
Accounts receivable, net	170,180	104,025
Contributions receivable	6,117,995	1,373,877
Prepaid expenses	59,072	20,415
Furniture, equipment and leasehold improvements, net	<u>70,546</u>	<u>94,062</u>
Total assets	<u>\$ 19,609,038</u>	<u>\$ 12,666,636</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 133,993	\$ 255,375
Deferred revenue and deposits	281,665	98,356
Loan payable	<u>-</u>	<u>808,000</u>
Total liabilities	<u>415,658</u>	<u>1,161,731</u>
Net assets		
Without donor restrictions	9,422,209	8,023,941
With donor restrictions	<u>9,771,171</u>	<u>3,480,964</u>
Total net assets	<u>19,193,380</u>	<u>11,504,905</u>
Total liabilities and net assets	<u>\$ 19,609,038</u>	<u>\$ 12,666,636</u>

See notes to financial statements.

TEACHING MATTERS, INC.

Statement of Activities

	Year Ended August 31					
	2021	2020				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue						
Grants and contributions	\$ 537,830	\$9,523,532	\$10,061,362	\$ 783,082	\$1,851,966	\$ 2,635,048
Government grants	808,000	-	808,000	-	-	-
Program service fees	3,121,511	-	3,121,511	3,127,380	-	3,127,380
Net assets released from restrictions	<u>3,233,325</u>	<u>(3,233,325)</u>	-	<u>2,937,451</u>	<u>(2,937,451)</u>	-
Total public support and revenue	<u>7,700,666</u>	<u>6,290,207</u>	<u>13,990,873</u>	<u>6,847,913</u>	<u>(1,085,485)</u>	<u>5,762,428</u>
Expenses						
Program services	6,039,256	-	6,039,256	5,664,546	-	5,664,546
Management and general	1,173,834	-	1,173,834	1,046,724	-	1,046,724
Fundraising	466,665	-	466,665	532,872	-	532,872
Total expenses	<u>7,679,755</u>	<u>-</u>	<u>7,679,755</u>	<u>7,244,142</u>	<u>-</u>	<u>7,244,142</u>
Increase (decrease) in net assets before other additions	20,911	6,290,207	6,311,118	(396,229)	(1,085,485)	(1,481,714)
Other additions						
Realized and unrealized gains on investments	1,264,277	-	1,264,277	404,416	-	404,416
Investment return, net	<u>113,080</u>	<u>-</u>	<u>113,080</u>	<u>163,161</u>	<u>-</u>	<u>163,161</u>
Increase (decrease) in net assets	<u>1,398,268</u>	<u>6,290,207</u>	<u>7,688,475</u>	<u>171,348</u>	<u>(1,085,485)</u>	<u>(914,137)</u>
Net assets, beginning of year	<u>8,023,941</u>	<u>3,480,964</u>	<u>11,504,905</u>	<u>7,852,593</u>	<u>4,566,449</u>	<u>12,419,042</u>
Net assets, end of year	<u>\$ 9,422,209</u>	<u>\$9,771,171</u>	<u>\$19,193,380</u>	<u>\$8,023,941</u>	<u>\$3,480,964</u>	<u>\$11,504,905</u>

See notes to financial statements.

TEACHING MATTERS, INC.

Statement of Functional Expenses
 Year Ended August 31, 2021
 (with Summarized Comparative Totals for the Year Ended August 31, 2020)

	2021			2020
	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
				<u>7,220,267</u>
				<u>23,875</u>
				<u>\$7,244,142</u>

See notes to financial statements.

TEACHING MATTERS, INC.

**Statement of Functional Expenses
Year Ended August 31, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries and related	\$4,721,966	\$ 576,857	\$ 309,769	\$5,608,592
Professional fees	368,710	312,266	70,000	750,976
Computer software	184,263	21,169	19,936	225,368
Meetings, conferences and travel	54,631	4,803	13,634	73,068
Occupancy	66,224	52,979	13,245	132,448
Dues, fees and subscriptions	26,116	4,906	2,227	33,249
Office supplies	65,582	10,629	9,092	85,303
Postage and messengers	25,989	3,981	1,988	31,958
Printing and stationery	1,130	718	6,410	8,258
Telephone	7,571	6,056	1,514	15,141
Temporary help, recruiting, and training	79,961	-	-	79,961
Marketing and promotion	28,875	532	79,554	108,961
Other	<u>33,528</u>	<u>27,953</u>	<u>5,503</u>	<u>66,984</u>
	5,664,546	1,022,849	532,872	7,220,267
Total expenses before depreciation and amortization	-	<u>23,875</u>	-	<u>23,875</u>
Depreciation and amortization				
Total expenses	<u>\$5,664,546</u>	<u>\$1,046,724</u>	<u>\$ 532,872</u>	<u>\$7,244,142</u>

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>2021</u>	<u>2020</u>
Cash from operating activities		
Increase (decrease) in net assets	\$ 7,688,475	\$ (914,137)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	23,516	23,875
Realized and unrealized (gains) on investments	(1,264,277)	(404,416)
Forgiveness of loan payable	(808,000)	-
(Increase) decrease in assets		
Accounts receivable, net	(66,155)	153,116
Contributions receivable	(4,744,118)	703,613
Prepaid expenses	(38,657)	54,459
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(121,382)	50,356
Deferred revenue and deposits	<u>183,309</u>	<u>80,856</u>
Net cash provided by (used in) operating activities	<u>852,711</u>	<u>(252,278)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	901,378	200,000
Purchase of investments	(1,002,738)	(333,792)
Purchases of furniture, equipment and leasehold improvement	<u>-</u>	<u>(117,578)</u>
Net cash (used in) investing activities	<u>(101,360)</u>	<u>(251,370)</u>
Cash flows from investing activities		
Proceeds from loan payable	<u>-</u>	<u>808,000</u>
Increase in cash and cash equivalents	751,351	304,352
Cash and cash equivalents, beginning of year	<u>4,914,614</u>	<u>4,610,262</u>
Cash and cash equivalents, end of year	<u>5,665,965</u>	<u>\$4,914,614</u>
Consists of:		
Cash and cash equivalents – operating	\$ 4,665,965	\$3,914,614
Cash and cash equivalents – board designated	<u>1,000,000</u>	<u>1,000,000</u>
Total cash and cash equivalents	<u>\$ 5,665,965</u>	<u>\$4,914,614</u>

See notes to financial statements.

TEACHING MATTERS, INC.**Notes to Financial Statements
August 31, 2021 and August 31, 2020****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 2021 and 2020, 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, 2021 and August 31, 2020Note 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, 2021 and August 31, 2020 are as follows:

	2021			
	Balance at August 31, 2020	Support	Net Assets Released from Restrictions	Balance at August 31, 2021
Time/purpose restricted	<u>\$3,480,964</u>	<u>\$9,523,532</u>	<u>\$(3,233,325)</u>	<u>9,771,171</u>
	2020			
	Balance at August 31, 2019	Support	Net Assets Released from Restrictions	Balance at August 31, 2020
Time/purpose restricted	<u>\$4,566,449</u>	<u>\$1,851,966</u>	<u>\$(2,937,451)</u>	<u>\$3,480,964</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, 2021 and August 31, 2020****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, 2021 and August 31, 2020, 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.

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.

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.

TEACHING MATTERS, INC.

Notes to Financial Statements (continued)
August 31, 2021 and August 31, 2020

Note 2 – Summary of significant accounting policies (continued)

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, 2021. 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.

Risks and uncertainties

On March 13, 2020, a national emergency was declared due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on Teaching Matter Inc.'s future financial operations is not readily determinable.

Subsequent events

Teaching Matters, Inc. has evaluated events and transactions for potential recognition or disclosure through December 1, 2021, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,665,965	\$ 4,914,614
Investments, at fair value	7,525,280	6,159,643
Contributions receivable	6,117,995	1,373,877
Accounts receivable, net	170,180	104,025
Total	<u>\$19,479,420</u>	<u>\$ 12,552,159</u>
Less: restricted financial assets*	<u>10,771,171</u>	<u>4,480,964</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 8,708,249</u>	<u>\$ 8,071,195</u>

TEACHING MATTERS, INC.

Notes to Financial Statements (continued)
August 31, 2021 and August 31, 2020

Note 4 – Contributions receivable

As of August 31, 2021, contributions receivable are due to be collected as follows:

Due in fiscal 2022	\$ 1,570,000
Due in fiscal 2023	1,640,000
Due in fiscal 2024	1,700,000
Due in fiscal 2025	<u>1,207,995</u>
Total	<u>\$ 6,117,995</u>

Notes 5 – Investments

The following is a summary of investments held as of August 30, 2021 and 2020:

	<u>August 31, 2021</u>		<u>August 31, 2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$5,670,929</u>	<u>\$7,525,280</u>	<u>\$5,503,981</u>	<u>\$6,195,643</u>

Note 6 – Furniture, equipment and leasehold improvements

The following is a summary of furniture, equipment and leasehold improvements as of August 31, 2021 and August 31, 2020:

	<u>August 31</u>	
	<u>2021</u>	<u>2020</u>
Furniture, equipment and leasehold improvements	\$ 728,906	\$ 728,906
Less: accumulated depreciation and amortization	<u>658,360</u>	<u>634,844</u>
Net property and equipment	<u>\$ 70,546</u>	<u>\$ 94,062</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, 2021 and August 31, 2020

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, 2021 and August 31, 2020 were \$155,452 and \$102,581, 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 2021 and 2020 was \$11,007.

As of August 31, 2021, future annual minimum lease payments under the lease are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2022	\$ 132,084
2023	132,084
2024	132,084
2025	<u>44,028</u>
Total	<u>\$ 440,280</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.