

TEACHING MATTERS, INC.

**Financial Statements
for Years Ended
August 31, 2023
and
August 31, 2022**

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, 2023 and August 31, 2022 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, 2023 and August 31, 2022 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization has changed its method of accounting for operating leases as of September 1, 2022 due to the adoption of ASC 842, Leases. Our opinion is not modified with regard to that matter.

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 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 McBenty & Donnelly LLP

January 12, 2024

TEACHING MATTERS, INC.

Statement of Financial Position

Assets

	<u>August 31</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents		
Operating	\$ 1,917,111	\$ 2,604,600
Board designated	1,000,000	1,000,000
Investments at fair value	7,106,388	6,635,202
Accounts receivable, net	886,090	673,660
Contributions receivable	3,069,118	5,251,995
Prepaid expenses	33,790	136,760
Furniture, equipment and leasehold improvements, net	23,514	47,030
Right of use asset – operating lease	176,112	-
Total assets	<u>\$ 14,212,123</u>	<u>\$ 16,349,247</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 163,424	\$ 287,119
Deferred revenue and deposits	118,000	132,000
Operating lease liability	176,112	-
Total current liabilities	<u>457,536</u>	<u>419,119</u>
Net assets		
Without donor restrictions	8,064,823	8,040,003
With donor restrictions	5,689,764	7,890,125
Total net assets	<u>13,754,587</u>	<u>15,930,128</u>
Total liabilities and net assets	<u>\$ 14,212,123</u>	<u>\$ 16,349,247</u>

See notes to financial statements.

TEACHING MATTERS, INC.
Statement of Activities

	Year Ended August 31						
	2023	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue							
Grants and contributions	\$ 1,198,802	\$ 570,000	\$ 1,768,802	\$ 689,435	\$ 1,720,000	\$ 2,409,435	
Program service fees	5,771,733	-	5,771,733	5,290,094	-	5,290,094	
Net assets released from restrictions	<u>2,770,361</u>	<u>(2,770,361)</u>	<u>-</u>	<u>3,601,046</u>	<u>(3,601,046)</u>	<u>-</u>	
Total public support and revenue	<u>9,740,896</u>	<u>(2,200,361)</u>	<u>7,540,535</u>	<u>9,580,575</u>	<u>(1,881,046)</u>	<u>7,699,529</u>	
Expenses							
Program services	7,949,414	-	7,949,414	8,125,357	-	8,125,357	
Management and general	1,499,943	-	1,499,943	1,445,616	-	1,445,616	
Fundraising	757,786	-	757,786	511,745	-	511,745	
Total expenses	<u>10,207,143</u>	<u>-</u>	<u>10,207,143</u>	<u>10,082,718</u>	<u>-</u>	<u>10,082,718</u>	
(Decrease) in net assets before other additions (deductions)	(466,247)	(2,200,361)	(2,666,608)	(502,143)	(1,881,046)	(2,383,189)	
Other additions (deductions)							
Realized and unrealized gains (losses) on investments	343,654	-	343,654	(1,175,691)	-	(1,175,691)	
Investment return, net	147,413	-	147,413	295,628	-	295,628	
Increase (decrease) in net assets	<u>24,820</u>	<u>(2,200,361)</u>	<u>(2,175,541)</u>	<u>(1,382,206)</u>	<u>(1,881,046)</u>	<u>(3,263,252)</u>	
Net assets, beginning of year	<u>8,040,003</u>	<u>7,890,125</u>	<u>15,930,128</u>	<u>9,422,209</u>	<u>9,771,171</u>	<u>19,193,380</u>	
Net assets, end of year	<u>\$ 8,064,823</u>	<u>\$ 5,689,764</u>	<u>\$13,754,587</u>	<u>\$8,040,003</u>	<u>\$7,890,125</u>	<u>\$15,930,128</u>	

See notes to financial statements.

TEACHING MATTERS, INC.

**Statement of Functional Expenses
Year Ended August 31, 2023
(with Summarized Comparative Totals for the Year Ended August 31, 2022)**

	<u>2023</u>			<u>2022</u>
	Program Services	Management and General	Fund- Raising	Total
Salaries and related	\$6,499,945	\$1,174,564	\$ 483,757	\$ 7,473,508
Professional fees	800,034	206,872	62,067	1,413,041
Computer software	196,723	12,161	14,194	292,948
Meetings, conferences and travel	130,322	12,358	16,017	148,750
Occupancy	106,421	18,624	7,982	139,893
Dues, fees and subscriptions	56,589	2,172	2,218	78,041
Office supplies	19,398	4,086	22,213	91,772
Postage and messengers	1,538	23,376	472	25,620
Telephone	30,272	5,298	2,271	48,770
Temporary help, recruiting, and training	6,048	-	-	34,762
Marketing and promotion	10,007	795	139,685	195,683
Other	92,117	16,121	6,910	116,414
	7,949,414	1,476,427	757,786	10,183,627
Total expenses before depreciation and amortization	<u>-</u>	<u>23,516</u>	<u>-</u>	<u>23,516</u>
Depreciation and amortization				
Total expenses	<u>\$7,949,414</u>	<u>\$1,499,943</u>	<u>\$ 757,786</u>	<u>\$10,207,143</u>
				<u>10,059,202</u>
				<u>23,516</u>
				<u>\$10,082,718</u>

See notes to financial statements.

TEACHING MATTERS, INC.

**Statement of Functional Expenses
Year Ended August 31, 2022**

	Program Services	Management and General	Fund- Raising	Total
Salaries and related	\$6,055,506	\$1,101,691	\$ 316,311	\$ 7,473,508
Professional fees	1,135,830	211,911	65,300	1,413,041
Computer software	269,308	5,668	17,972	292,948
Meetings, conferences and travel	121,204	14,900	12,646	148,750
Occupancy	113,313	20,984	5,596	139,893
Dues, fees and subscriptions	75,470	2,130	441	78,041
Office supplies	65,918	10,302	15,552	91,772
Postage and messengers	21,569	2,963	1,088	25,620
Telephone	39,504	7,315	1,951	48,770
Temporary help, recruiting, and training	34,762	-	-	34,762
Marketing and promotion	120,094	4,300	71,289	195,683
Other	<u>72,879</u>	<u>39,936</u>	<u>3,599</u>	<u>116,414</u>
	8,125,357	1,422,100	511,745	10,059,202
Total expenses before depreciation and amortization	<u>-</u>	<u>23,516</u>	<u>-</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>\$10,082,718</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>2023</u>	<u>2022</u>
Cash from operating activities		
(Decrease) in net assets	\$(2,175,541)	\$(3,263,252)
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	(343,654)	1,175,691
Amortization of right of use asset – operating lease	132,084	-
(Increase) decrease in assets		
Accounts receivable, net	(212,430)	(503,480)
Contributions receivable	2,182,877	866,000
Prepaid expenses	102,970	(77,688)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(123,695)	153,126
Deferred revenue and deposits	(14,000)	(149,665)
Repayment of operating lease liability	(132,084)	-
Net cash (used in) operating activities	<u>(559,957)</u>	<u>(1,775,752)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	80,172	27,795
Purchase of investments	<u>(207,704)</u>	<u>(313,408)</u>
Net cash (used in) investing activities	<u>(127,532)</u>	<u>(285,613)</u>
(Decrease) in cash and cash equivalents	(687,489)	(2,061,365)
Cash and cash equivalents, beginning of year	<u>3,604,600</u>	<u>5,665,965</u>
Cash and cash equivalents, end of year	<u>\$ 2,917,111</u>	<u>\$ 3,604,600</u>
Consists of:		
Cash and cash equivalents – operating	\$ 1,917,111	\$ 2,604,600
Cash and cash equivalents – board designated	<u>1,000,000</u>	<u>1,000,000</u>
Total cash and cash equivalents	<u>\$ 2,917,111</u>	<u>\$ 3,604,600</u>

See notes to financial statements.

TEACHING MATTERS, INC.**Notes to Financial Statements
August 31, 2023 and August 31, 2022****Note 1 – Nature of organization and programs**

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

The Organization’s 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 the Organization, 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**

The Organization 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 the Organization. The Board 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 2023 and 2022, 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, 2023 and August 31, 2022**

Note 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, 2023 and August 31, 2022 are as follows:

	2023			
	Balance at August 31, 2022	Support	Net Assets Released from Restrictions	Balance at August 31, 2023
Time/purpose restricted	\$7,890,125	\$ 570,000	\$(2,770,361)	\$5,689,764
	2022			
	Balance at August 31, 2021	Support	Net Assets Released from Restrictions	Balance at August 31, 2022
Time/purpose restricted	\$9,771,171	\$1,720,000	\$(3,601,046)	\$7,890,125

Cash equivalents

The Organization 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.

Adoption of FASB ASC 842, Leases

Effective September 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (“ROU”) model that requires a lessee to record an ROU asset, which represents the right to use a respective asset for the lease term, and a lease liability on the statement of financial position at the present value of future payments due under the lease. In connection with the adoption of the new standard, the Organization has recognized a ROU asset and operating lease liability of \$176,112 as of August 31, 2023. The Organization has determined that discounting its office lease to present value is immaterial. The Organization reporting for the comparative period presented in the financial statements is in accordance with previous lease accounting standards. The implementation of the standard did not have a material impact on the Organization’s operating results and cash flows.

TEACHING MATTERS, INC.**Notes to Financial Statements (continued)
August 31, 2023 and August 31, 2022****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. The Organization's investments consist of mutual funds which are Level 1 inputs.

Allowance for doubtful accounts

As of August 31, 2023 and August 31, 2022, the Organization 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.

Program service fees

The Organization reports fees generated from schools as program revenue when the performance obligation is met, which is 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, 2023 and August 31, 2022****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

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, accounts receivable and contributions receivable. The Organization places its cash and cash equivalents with what it believes to be quality financial institutions. The Organization 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, 2023. The Organization monitors the collectability of its receivables on an ongoing basis. As a result, the Organization's management believes concentrations of credit risk are limited.

On Monday, May 1, 2023, the Organization's bank was closed by the California Department of Financial Protection and Innovation. The Federal Deposit Insurance Corporation ("FDIC") was then appointed receiver. To protect depositors, the FDIC entered into a purchase and assumption agreement with another financial institution, to assume all of the deposits and substantially all of the assets of the former bank. The Organization did not incur any losses and has continued banking with the new financial institution.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through January 12, 2024, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and availability of financial assets

The Organization's working capital and cash flows have seasonal variations during the fiscal year attributable to the timing when donors make contributions and other revenue items.

TEACHING MATTERS, INC.

Notes to Financial Statements (continued)
August 31, 2023 and August 31, 2022

Note 3 – Liquidity and availability of financial assets

The following is a summary of the Organization'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.

	2023	2022
Cash and cash equivalents	\$ 2,917,111	\$ 3,604,600
Investments, at fair value	7,106,388	6,635,202
Contributions receivable	3,069,118	5,251,995
Accounts receivable, net	886,090	673,660
Total	13,978,707	16,165,457
Less: restricted financial assets	6,689,764	8,890,125
Financial assets available to meet cash needs for general expenditures	\$ 7,288,943	\$ 7,275,332

Note 4– Contributions receivable

As of August 31, 2023, contributions receivable are due to be collected as follows:

Due in fiscal 2024	1,861,123
Due in fiscal 2025	1,207,995
Total	\$ 3,069,118

Notes 5 – Investments

The following is a summary of investments held as of August 31, 2023 and 2022:

	August 31, 2023		August 31, 2022	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$6,161,416	\$7,106,388	\$5,956,027	\$6,635,202

Note 6 – Furniture, equipment and leasehold improvements

The following is a summary of furniture, equipment and leasehold improvements as of August 31, 2023 and August 31, 2022:

	August 31	
	2023	2022
Furniture, equipment and leasehold improvements	\$ 728,906	\$ 728,906
Less: accumulated depreciation and amortization	705,392	681,876
Net property and equipment	\$ 23,514	\$ 47,030

TEACHING MATTERS, INC.

Notes to Financial Statements (continued)
August 31, 2023 and August 31, 2022

Note 7 – Retirement plan

The Organization 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 the Organization. Eligible employees may defer a portion of their earnings in accordance with the Internal Revenue Code, with a corresponding matching contribution by the Organization not to exceed 6% of their regular salary. The Organization begins matching contributions to eligible employees after one year of service.

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, 2023 and August 31, 2022 were \$194,663 and \$157,185, respectively.

Note 8 – Commitment

On January 1, 2020, the Organization entered into a new lease of its premises (as tenant) 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 2023 and 2022 was \$11,007, respectively.

As of August 31, 2023, future annual minimum lease payments under the lease are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2024	\$ 132,084
2025	<u>44,028</u>
Total	<u>\$ 176,112</u>

Note 9 – Tax status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, Organization 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.