

TEACH PLUS, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012 and 2011

TEACH PLUS, INC.

Financial Statements

September 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Teach Plus, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of Teach Plus, Inc. (the "Organization") as of September 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teach Plus, Inc. as of September 30, 2012 and 2011, and the results of its operations and its cash flows for year then ended, in conformity with accounting principles generally accepted in the United States of America.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

May 10, 2013

TEACH PLUS, INC.

Statement of Financial Position

September 30, 2012 and 2011

TEACH PLUS, INC.

Statement of Financial Position

September 30,

Assets

	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and equivalents	\$ 3,231,862	\$ 1,616,554
Accounts receivable	362,704	312,125
Other assets	<u>39,961</u>	<u>8,799</u>
Total Current Assets	<u>3,634,527</u>	<u>1,937,478</u>
Property and Equipment, net	<u>156,643</u>	<u>156,592</u>
Total Assets	<u>\$ 3,791,170</u>	<u>\$ 2,094,070</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 30,596	\$ 2,369
Accrued expenses	<u>116,496</u>	<u>7,500</u>
Total Liabilities	<u>147,092</u>	<u>9,869</u>
Net Assets:		
Unrestricted	376,397	214,119
Temporarily restricted	<u>3,267,681</u>	<u>1,870,082</u>
Total Net Assets	<u>3,644,078</u>	<u>2,084,201</u>
Total Liabilities and Net Assets	<u>\$ 3,791,170</u>	<u>\$ 2,094,070</u>

The accompanying notes are an integral part of these financial statements.

TEACH PLUS, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Grants received	\$ 1,717,279	\$ 3,267,681	\$ 4,984,960
Service revenue	888,794	-	888,794
Contributions received	83,693	-	83,693
Investment income	6,314	-	6,314
Net assets released from restrictions	<u>1,870,082</u>	<u>(1,870,082)</u>	<u>-</u>
Total Revenues and Other Support	<u>4,566,162</u>	<u>1,397,599</u>	<u>5,963,761</u>
Expenses:			
Program services:			
Policy Fellows	1,181,285	-	1,181,285
T3 Initiative	1,228,217	-	1,228,217
T + Network	<u>1,349,459</u>	<u>-</u>	<u>1,349,459</u>
Total Program Services	<u>3,758,961</u>	<u>-</u>	<u>3,758,961</u>
Management and general	514,915	-	514,915
Fundraising	<u>130,008</u>	<u>-</u>	<u>130,008</u>
Total Expenses	<u>4,403,884</u>	<u>-</u>	<u>4,403,884</u>
Increase in Net Assets	162,278	1,397,599	1,559,877
Net Assets, Beginning of Year	<u>214,119</u>	<u>1,870,082</u>	<u>2,084,201</u>
Net Assets, End of Year	<u>\$ 376,397</u>	<u>\$ 3,267,681</u>	<u>\$ 3,644,078</u>

The accompanying notes are an integral part of these financial statements.

TEACH PLUS, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Grants received	\$ 1,634,903	\$ 1,790,482	\$ 3,425,385
Service revenue	67,150	-	67,150
Contributions received	23,428	14,600	38,028
Investment income	2,027	-	2,027
Net assets released from restrictions	<u>681,460</u>	<u>(681,460)</u>	<u>-</u>
Total Revenues and Other Support	<u>2,408,968</u>	<u>1,123,622</u>	<u>3,532,590</u>
Expenses:			
Program services:			
Policy Fellows	852,701	-	852,701
T3 Initiative	531,976	-	531,976
T + Network	<u>423,882</u>	<u>-</u>	<u>423,882</u>
Total Program Services	<u>1,808,559</u>	<u>-</u>	<u>1,808,559</u>
Management and general	425,908	-	425,908
Fundraising	<u>133,926</u>	<u>-</u>	<u>133,926</u>
Total Expenses	<u>2,368,393</u>	<u>-</u>	<u>2,368,393</u>
Increase in Net Assets	40,575	1,123,622	1,164,197
Net Assets, Beginning of Year	<u>173,544</u>	<u>746,460</u>	<u>920,004</u>
Net Assets, End of Year	<u>\$ 214,119</u>	<u>\$ 1,870,082</u>	<u>\$ 2,084,201</u>

The accompanying notes are an integral part of these financial statements.

TEACH PLUS, INC.

Statement of Cash Flows

For the Years Ended September 30,

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,559,877	\$ 1,164,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,601	20,088
Changes in assets and liabilities:		
Accounts receivable	(50,579)	(198,125)
Other assets	(31,162)	6,781
Accounts payable	28,227	(6,996)
Accrued expenses	<u>108,996</u>	<u>(1,700)</u>
Net Adjustments	<u>94,083</u>	<u>(179,952)</u>
Net Cash Provided by Operating Activities	<u>1,653,960</u>	<u>984,245</u>
Cash Flows used in Investing Activity:		
Acquisition of property and equipment	<u>(38,652)</u>	<u>(110,625)</u>
Net Increase in Cash and Equivalents	1,615,308	873,620
Cash and Equivalents, Beginning of Year	<u>1,616,554</u>	<u>742,934</u>
Cash and Equivalents, End of Year	<u>\$ 3,231,862</u>	<u>\$ 1,616,554</u>

The accompanying notes are an integral part of these financial statements.

TEACH PLUS, INC.

Notes to the Financial Statements

September 30, 2012 and 2011

Note 1 - **Organization**

Teach Plus, Inc. (the “Organization”) is a Massachusetts not-for-profit corporation whose mission is to improve outcomes for urban children by ensuring that a greater proportion of students have access to effective and experienced teachers. The Organization is founded on the premise that teachers want to learn and grow in the profession, and want to ensure that their development results in increased learning among their students. In order for schools to continuously improve student achievement, teaching must become a career that motivates and rewards continuous improvement among practitioners. The Organization has six locations throughout the United States: Boston, Massachusetts; Indianapolis, Indiana; Memphis, Tennessee; Chicago, Illinois; Los Angeles, California; and Washington, D.C.

The Organization operates three programs; Policy Fellows, T + Network, and the T3 Initiative:

The Teaching Policy Fellowship is a highly selective program for teachers interested in having a voice in decisions that affect their profession. During a cohort experience that spans 18 months, fellows meet in monthly sessions that offer personal interaction with key education leaders, a challenging course of study in education policy, research, and best practices from across the nation, and the opportunity to advocate for policies that will better serve students and retain excellent teachers.

The T+ Network is a rapidly growing national movement of teachers who believe a critical voice has been missing from education policy decision-making: the voice of teachers for kids. With an expanding series of interactive in-person and virtual forums, the T+ Network provides opportunities for teachers to connect with highly motivated peers and national and local policy leaders, learn about innovative policies to empower and retain effective teachers, and be a voice for change within the teaching profession.

The T3 Initiative is an innovative program to recruit, develop, and support effective, experienced teachers to serve in our lowest performing schools. This program was designed by teachers to address the problem of inequitable access to effective teachers in the highest need schools. The T3 Initiative: creates cohorts of highly effective and experienced teachers, supporting them in becoming turnaround specialists, and placing them in teams at the schools in which they are most needed.

TEACH PLUS, INC.

Notes to the Financial Statements - Continued

September 30, 2012

Note 2 - **Summary of Significant Accounting Policies**

Financial Statement Presentation

In order to ensure the observance of limitations and restrictions placed on the use of available resources, the Organization determines the classification of its net assets and its revenues and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and are expendable for support of the Organization's general operations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently. The donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Management Estimates

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

Revenue Recognition

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are classified as temporarily restricted are reclassified to unrestricted net assets upon satisfaction of the program restriction or expiration of the time restrictions. The Organization has elected to report restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

TEACH PLUS, INC.

Notes to the Financial Statements - Continued

September 30, 2012

Note 2 - **Summary of Significant Accounting Policies - Continued**

Service Revenue

Service revenue is generated from an Organization sponsored program deliverable to various local, state, and/or federal partners. Services may include: providing recruitment and selection services, professional development of teacher leaders, or event organizing for a policy leader.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using straight-line and accelerated methods over the assets' estimated useful lives.

Donated Materials and Services

Donated services are recorded at fair market value on the date the services are provided if the services create or enhance non-financial assets or the services are provided by persons possessing certain skills that would typically need to be purchased if not provided by donation. There were no donated services during the periods ended September 30, 2012 and 2011. Donated assets are recorded at their fair market value on the date of contribution. The Organization did not receive any donated office supplies during the periods ended September 30, 2012 and 2011.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific program and support services are allocated directly according to their natural expenditure classification.

Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes

Generally accepted accounting principles as practiced in the United States require an entity to assess the probability that a tax position has a "more likely than not" (MLTN) sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Interest and penalties, if any, related to assessments by tax authorities will be classified as a component of interest expense and other expense, respectively, in the statement of activities.

TEACH PLUS, INC.

Notes to the Financial Statements - Continued

September 30, 2012

Note 2 - Summary of Significant Accounting Policies - Continued

Income Taxes - Continued

A tax position may be considered as taken any time a taxpayer chooses amongst alternatives that affect the amount of their tax obligations and include for example: tax exempt status; status as a pass-through entity (S Corporations); decisions made in the process of conforming with tax laws; decisions not to file in certain jurisdictions; allocation of income between jurisdictions and the characterization of income or expenses. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances the statute of limitations may remain open indefinitely.

The Organization has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax exempt entity under section 501 (c)(3) of the Internal Revenue Code. Since the continuance of this status is based upon continuing qualification, the Organization has identified this as a tax position. However, it has determined that this tax position meets MLTN sustainability and does not result in an uncertainty requiring recognition.

Endowment Funds

Effective July 1, 2009, Massachusetts adopted as law a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Prior to enacting UPMIFA, Massachusetts operated under the Uniform Management of Institutional Funds Act (UMIFA) which focused on prudent spending of net appreciation of the fund and emphasized the historic dollar value concept, an amount below which an organization could not spend from the fund. In the absence of overriding, explicit donor stipulations, UPMIFA prescribes new guidelines for expenditures of donor restricted funds and focuses on the prudent spending of the entire donor restricted fund, including accumulated earnings, in lieu of the historical dollar concept of UMIFA.

UPMIFA's requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donor's intended purpose of the endowment fund, stipulated or otherwise.

TEACH PLUS, INC.

Notes to the Financial Statements - Continued

September 30, 2012

Note 2 - **Summary of Significant Accounting Policies - Continued**

Endowment Funds - Continued

Under UPMIFA, donor restricted funds will continue to be classified as permanently restricted net assets. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donors' stipulations must be classified as temporarily restricted net assets until approved for expenditure by the organization. Unrealized losses that reduce fair value to an amount below the donated value are charged to unrestricted net assets to the extent fair value again equals donated cost, at which time unrealized gains will be classified in accordance with the Organization's spending policy.

Earnings on endowment funds that have not yet been specifically approved for expenditure but will be, must be classified as temporarily restricted net assets until approved for expenditure by the Organization.

The Organization's board classifies donor restricted funds and earnings thereon in accordance with applicable state law as interpreted by the Attorney General. Endowment fund assets are appropriated for expenditure in accordance with the directions and/or intent of the donor.

The Organization's investment policy for endowment funds is intended to preserve capital to the extent possible and provide a reasonably predictable stream of revenue to provide appropriate funding to the programs supported by endowment funds.

As of September 30, 2012, the Organization does not have any endowment funds.

Note 3 - **Accounts Receivable**

Accounts receivable at September 30, 2012 and 2011 consist of amounts due under the terms of an approval grant and a reimbursement grant. Management believes that these amounts are fully collectible; therefore, no allowance for doubtful accounts has been established.

TEACH PLUS, INC.

Notes to the Financial Statements - Continued

September 30, 2012

Note 4 - **Property and Equipment**

A summary of the major components of property and equipment is as follows:

	<u>2012</u>	<u>2011</u>
Office equipment	\$ 190,493	\$ 155,534
Furniture and fixtures	<u>32,533</u>	<u>28,840</u>
	223,026	184,374
Less: accumulated depreciation	<u>66,383</u>	<u>27,782</u>
Net Property and Equipment	\$ <u>156,643</u>	\$ <u>156,592</u>

Note 5 - **Line of Credit**

During 2012, the Organization received a \$200,000 line of credit that is due on demand to its financial institution. Interest is payable at Prime Rate (3.25% at September 30, 2012) plus 3.25%. The line of credit is secured by all assets of the Organization. There was no outstanding balance under this agreement at September 30, 2012.

Note 6 - **Temporarily Restricted Net Assets**

Temporarily restricted net assets at September 30, 2012 were available for the purposes of developing and operating teaching programs such as the Organization's Policy Fellows, T+ Network, and T3 Initiative programs.

Note 7 - **Lease Commitments**

The Organization leases office space for its Memphis, Los Angeles, and Boston locations under operating leases expiring at various times through February 2021, respectively. The Organization also leases office space for its Indianapolis, Washington, D.C., and Chicago locations under tenant-at-will agreements. Rent expense for the years ended September 30, 2012 and 2011 was \$134,636 and \$91,856, respectively.

TEACH PLUS, INC.

Notes to the Financial Statements - Continued

September 30, 2012

Note 7 - **Lease Commitments - Continued**

At September 30, 2012 future annual minimum payments consist of the following:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2013	\$ 238,985
2014	319,473
2015	248,544
2016	256,208
2017	279,275
Thereafter	<u>1,544,539</u>
Total	\$ <u>2,887,024</u>

Note 8 - **Retirement Plan**

The Organization maintains a retirement plan for all eligible employees. Full-Time employees are eligible to receive matching contributions from the Organization up to three percent of the employee's salary after their third full month of employment. The Organization contributed \$33,367 and \$26,657 to the plan for the years ended September 30, 2012 and 2011, respectively.

Note 9 - **Concentrations, Risks, and Uncertainties**

Cash

The Organization maintains cash balances at several financial banking institutions, and at times during the period these balances exceeded the federally insured limit. Management monitors the financial condition of these banking institutions, along with its balances in cash, to keep this potential risk at a minimum.

Concentration Risk of Grant Revenues

Approximately 78% and 58% of the Organization's total grant revenues for the years ended September 30, 2012 and September 30, 2011, respectively, were received through grants obtained from a private non-profit foundation. Should this private non-profit foundation change its funding amount or seek alternative grant recipients; it could have a materially adverse effect on the Organization's programs, financial condition and results of operations.

TEACH PLUS, INC.

Notes to the Financial Statements - Continued

September 30, 2012

Note 9 - **Concentrations, Risks, and Uncertainties - Continued**

Subsequent Events

Management has evaluated subsequent events through May 10, 2013, the date for which the financial statements were available for issuance. No material subsequent events were noted as of this date.