



**Opportunities for Teachers,
Results for Urban Students**

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

TEACH PLUS INCORPORATED

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SEPTEMBER 30, 2013**

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Where Every Client Is A Valued Client

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
Teach Plus Incorporated:

We have audited the accompanying financial statements of Teach Plus Incorporated (a Massachusetts corporation, not for profit) (the Organization) which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Organization’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 Teach Plus Incorporated as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Boston, Massachusetts
March 26, 2014

TEACH PLUS INCORPORATED
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2013

<u>ASSETS</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 109,533	\$ 481,250	\$ 590,783
Accounts and grants receivable	394,559	3,106,096	3,500,655
Prepaid expenses	32,247	-	32,247
	<hr/>	<hr/>	<hr/>
Total current assets	536,339	3,587,346	4,123,685
SECURITY DEPOSIT	47,250	-	47,250
PROPERTY AND EQUIPMENT, net	201,423	-	201,423
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 785,012</u>	<u>\$ 3,587,346</u>	<u>\$ 4,372,358</u>
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 67,087	\$ -	\$ 67,087
Accrued expenses	172,126	-	172,126
	<hr/>	<hr/>	<hr/>
Total current liabilities	239,213	-	239,213
DEFERRED RENT	94,767	-	94,767
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>333,980</u>	<u>-</u>	<u>333,980</u>
 NET ASSETS:			
Unrestricted:			
Operating	249,609	-	249,609
Property and equipment	201,423	-	201,423
	<hr/>	<hr/>	<hr/>
Total unrestricted	451,032	-	451,032
Temporarily restricted	-	3,587,346	3,587,346
	<hr/>	<hr/>	<hr/>
Total net assets	<u>451,032</u>	<u>3,587,346</u>	<u>4,038,378</u>
Total liabilities and net assets	<u>\$ 785,012</u>	<u>\$ 3,587,346</u>	<u>\$ 4,372,358</u>

The accompanying notes are an integral part of these statements.

TEACH PLUS INCORPORATED

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE:			
Grants and contributions	\$ 1,018,281	\$ 3,587,346	\$ 4,605,627
Contract service revenue	1,222,908	-	1,222,908
In-kind services	24,347	-	24,347
Interest and other income	3,202	-	3,202
Net assets released from purpose restriction	<u>3,267,681</u>	<u>(3,267,681)</u>	<u>-</u>
Total support and revenue	<u>5,536,419</u>	<u>319,665</u>	<u>5,856,084</u>
EXPENSES:			
Program services:			
Teaching Policy Fellows	1,649,368	-	1,649,368
T3 Initiative	1,984,360	-	1,984,360
T + Network	<u>1,072,983</u>	<u>-</u>	<u>1,072,983</u>
Total program services	4,706,711	-	4,706,711
General and administrative	545,711	-	545,711
Fundraising	<u>209,362</u>	<u>-</u>	<u>209,362</u>
Total expenses	<u>5,461,784</u>	<u>-</u>	<u>5,461,784</u>
Changes in net assets	74,635	319,665	394,300
NET ASSETS, beginning of year	<u>376,397</u>	<u>3,267,681</u>	<u>3,644,078</u>
NET ASSETS, end of year	<u><u>\$ 451,032</u></u>	<u><u>\$ 3,587,346</u></u>	<u><u>\$ 4,038,378</u></u>

The accompanying notes are an integral part of these statements.

TEACH PLUS INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 394,300
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	50,863
Loss on sale of property and equipment	6,067
Changes in operating assets and liabilities:	
Accounts and grants receivable	(3,137,951)
Prepaid expenses	(32,247)
Security deposit	(7,289)
Accounts payable	36,491
Accrued expenses	55,630
Deferred rent	<u>94,767</u>
Net cash used in operating activities	<u>(2,539,369)</u>
CASH FLOWS USED IN INVESTING ACTIVITY:	
Proceeds from sale of property and equipment	4,900
Acquisition of property and equipment	<u>(106,610)</u>
Net cash used in investing activities	<u>(101,710)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,641,079)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,231,862</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 590,783</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cost basis of property and equipment sold	<u><u>\$ 17,698</u></u>

The accompanying notes are an integral part of these statements.

TEACH PLUS INCORPORATED

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>		
	<u>TEACHING POLICY FELLOWS</u>	<u>T3 INITIATIVE</u>	<u>T + NETWORK</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>GENERAL AND ADMINIS- TRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
PERSONNEL AND RELATED:							
Salaries	\$ 890,257	\$ 1,139,406	\$ 729,491	\$ 2,759,154	\$ 259,666	\$ 163,089	\$ 3,181,909
Non-salaried personnel	215,200	253,000	-	468,200	-	-	468,200
Payroll taxes	67,034	90,341	56,450	213,825	19,620	13,078	246,523
Employee benefits	54,860	74,631	44,746	174,237	16,073	10,433	200,743
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total personnel and related	1,227,351	1,557,378	830,687	3,615,416	295,359	186,600	4,097,375
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
OTHER EXPENSES:							
Professional fees	68,419	99,950	8,233	176,602	146,028	1,407	324,037
Travel	169,958	56,402	36,982	263,342	16,110	1,191	280,643
Occupancy	58,411	112,796	39,405	210,612	39,133	8,386	258,131
Meetings and conferences	44,591	55,520	83,756	183,867	3,994	2,955	190,816
Information technology	39,843	50,795	28,208	118,846	10,256	6,534	135,636
Advertising and promotion	6,801	24,721	11,908	43,430	15,802	792	60,024
Depreciation	12,515	20,038	12,628	45,181	4,516	1,166	50,863
Office expenses	20,849	5,266	21,176	47,291	2,885	331	50,507
Miscellaneous	630	1,494	-	2,124	8,894	-	11,018
Insurance	-	-	-	-	2,734	-	2,734
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other expenses	422,017	426,982	242,296	1,091,295	250,352	22,762	1,364,409
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 1,649,368</u>	<u>\$ 1,984,360</u>	<u>\$ 1,072,983</u>	<u>\$ 4,706,711</u>	<u>\$ 545,711</u>	<u>\$ 209,362</u>	<u>\$ 5,461,784</u>

The accompanying notes are an integral part of these statements.

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Teach Plus Incorporated (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 the 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 runs three programs designed to place teacher leaders at the center of reform. They are the Teaching Policy Fellows Program, the 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 eighteen 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 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 become 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, supports the teachers in becoming turnaround specialists with the help of an embedded T3 coach, and places them in teams in the schools in which they are most needed.

SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted Net Assets:

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its unrestricted net assets into the following categories:

- **Operating net assets:** consist of amounts relating to program and other operating activities which bear no external restrictions and are currently available for operations.
- **Property and equipment net assets:** reflect the net book value of the Organization's property and equipment.

Temporarily Restricted Net Assets:

Temporarily restricted net assets represent amounts received by the Organization which are designated by donors for specific purposes and/or the passage of time. Temporarily restricted net assets at September 30, 2013, are restricted as follows:

Purpose	\$3,142,346
Time	<u>445,000</u>
	<u>\$3,587,346</u>

Revenue Recognition

The Organization reports grants and contributions as temporarily restricted support if they are received or unconditionally committed with donor stipulations that limit the use of the donated asset. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Temporarily restricted funds received and released in the same year are reported as unrestricted revenue. Unrestricted grants and contributions are recognized when received or unconditionally committed. Contract service revenue is recorded when costs are incurred or services are provided. Interest and other income are recognized as earned.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include checking, savings and money market accounts. For the purposes of the statement of cash flow, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Property and Equipment and Depreciation

Property and equipment having a value of \$1,000 or more and a useful life of at least one year are capitalized. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of receipt by the Organization. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and fixtures	5 - 10 years
Equipment	5 years

Fair Value Measurements

The Organization follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Organization values its qualifying assets and liabilities using level I inputs.

Allowance for Doubtful Accounts and Grants

An allowance for potentially uncollectible accounts and grants receivable is provided based on management's assessment of potential default. This assessment includes such factors as collection history, type of receivable and reputation of the payer. No allowance was deemed necessary as of September 30, 2013.

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization follows the *Accounting for Uncertainty in Income Taxes* standard, which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of September 30, 2013, the Organization determined that there are no material unrecognized tax benefits to report. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

Information returns filed for the prior three years remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts.

In-Kind Services

The Organization received in-kind legal services during fiscal year 2013. The value assigned to these services, based on the donor's estimate of the fair value of their services provided, has been reflected in the accompanying financial statements as in-kind services.

Advertising Costs

Advertising costs are expensed as incurred by the Organization. For the year ended September 30, 2013, the Organization incurred \$60,024 of advertising and promotion related costs.

Subsequent Events

Subsequent events have been evaluated through March 26, 2014, which is the date the financial statements were available to be issued.

(2) **OPERATING LEASES**

The Organization leases office space in Boston, Chicago, Memphis, and Los Angeles under operating leases expiring at various times through March, 2023. The Organization also leases office space for its Indianapolis location as a tenant-at-will. Rent expense for the year ended September 30, 2013, was \$222,860. In accordance with the *Accounting for Leases* standards under U.S. GAAP, the Organization records rent expense on a straight-line basis over the term of the lease regardless of actual cash payments. The Organization has accrued \$94,767 of rent expense under its operating lease agreements as of September 30, 2013. The Organization leases parking spaces in addition to those included in the operating leases. Parking space lease expense for the year ended September 30, 2013, was \$11,740.

Future minimum lease payments under the lease agreements are as follows:

2014	\$ 203,600
2015	\$ 234,448
2016	\$ 277,013
2017	\$ 278,023
2018	\$ 268,194
Thereafter	\$1,276,344

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

(3) PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2013:

Equipment	\$234,411
Furniture and fixtures	<u>77,527</u>
	311,938
Less - accumulated depreciation	<u>110,515</u>
	<u>\$201,423</u>

(4) PENSION PLAN

The Organization has a defined contribution pension plan (under IRC Section 401(k)) covering all eligible employees. Employees become eligible to participate upon employment and attaining the age of 21. Under the plan, employees can defer a portion of their salary up to limits established under the IRC. The Organization makes matching contributions on behalf of plan participants up to 3% of the participants' salaries. Employees are eligible for matching contributions after three months of employment. The Organization contributed \$71,110 to this plan during the year ended September 30, 2013, which is included in employee benefits in the accompanying statement of functional expenses.

(5) CONCENTRATIONS

The Organization maintains its cash balances in a Massachusetts bank and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in the accounts. The Organization's management believes that the Organization is not exposed to any significant credit risk related to these accounts.

For the year ended September 30, 2013, grants from one donor represented approximately 47% of the total support and revenue and 78% of the outstanding accounts and grants receivable balance. Should this donor 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.

(6) CONDITIONAL GRANT

The Organization was awarded a three-year conditional grant of \$200,000 from a foundation. The grant period is from December, 2011, through December, 2013. Through September 30, 2013, the Organization received payments totaling \$125,000 relating to this grant. The final payment of \$75,000 is conditional upon the Organization's submission of a progress report to the donor and satisfaction of other conditions in the grant agreement.

(7) LINE OF CREDIT

The Organization maintains a revolving line of credit with a bank, which allows for borrowings up to \$200,000. Borrowings are payable on demand, bear interest at the bank's prime rate (3.25% at September 30, 2013), plus 3.25%, and are secured by all business assets of the Organization. There was no outstanding balance under this agreement at September 30, 2013. This agreement expires in August, 2014.