



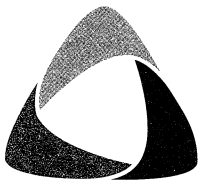
**Opportunities for Teachers,
Results for Urban Students**

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

TEACH PLUS INCORPORATED

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SEPTEMBER 30, 2014 AND 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Teach Plus Incorporated:

Report on the Financial Statements

We have audited the accompanying financial statements of Teach Plus Incorporated (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, changes in net assets, cash flows and functional expenses 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 Teach Plus Incorporated as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Brown, Pinning & Co., P.C.
Boston, Massachusetts
March 24, 2015

TEACH PLUS INCORPORATED
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>			<u>2013</u>		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:						
Cash and cash equivalents	\$ 177,888	\$ 1,378,054	\$ 1,555,942	\$ 109,533	\$ 481,250	\$ 590,783
Accounts receivable	546,850	-	546,850	394,559	-	394,559
Current portion of grants receivable	-	1,065,000	1,065,000	-	3,106,096	3,106,096
Prepaid expenses	84,750	-	84,750	32,247	-	32,247
Total current assets	809,488	2,443,054	3,252,542	536,339	3,587,346	4,123,685
GRANTS RECEIVABLE , net of current portion and discount	-	483,971	483,971	-	-	-
SECURITY DEPOSITS	56,526	-	56,526	47,250	-	47,250
PROPERTY AND EQUIPMENT , net	242,771	-	242,771	201,423	-	201,423
Total assets	<u>\$ 1,108,785</u>	<u>\$ 2,927,025</u>	<u>\$ 4,035,810</u>	<u>\$ 785,012</u>	<u>\$ 3,587,346</u>	<u>\$ 4,372,358</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Accounts payable	\$ 112,015	\$ -	\$ 112,015	\$ 67,087	\$ -	\$ 67,087
Accrued expenses	155,980	-	155,980	172,126	-	172,126
Total current liabilities	267,995	-	267,995	239,213	-	239,213
DEFERRED RENT	201,884	-	201,884	94,767	-	94,767
Total liabilities	469,879	-	469,879	333,980	-	333,980
NET ASSETS:						
Unrestricted:						
Operating	396,135	-	396,135	249,609	-	249,609
Property and equipment	242,771	-	242,771	201,423	-	201,423
Total unrestricted	638,906	-	638,906	451,032	-	451,032
Temporarily restricted	-	2,927,025	2,927,025	-	3,587,346	3,587,346
Total net assets	638,906	2,927,025	3,565,931	451,032	3,587,346	4,038,378
Total liabilities and net assets	<u>\$ 1,108,785</u>	<u>\$ 2,927,025</u>	<u>\$ 4,035,810</u>	<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

**STATEMENTS OF UNRESTRICTED ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
UNRESTRICTED SUPPORT AND REVENUE:		
Net assets released from restriction	\$ 4,304,292	\$ 3,267,681
Contract service revenue	2,132,451	1,222,908
Grants and contributions	581,229	1,018,281
In-kind services	6,081	24,347
Interest and other income	4,758	3,202
	<hr/>	<hr/>
Total unrestricted support and revenue	7,028,811	5,536,419
	<hr/>	<hr/>
EXPENSES:		
Program services:		
Teaching Policy Fellows	2,082,831	1,649,368
T3 Initiative	2,360,503	1,984,360
T + Network	1,268,922	1,072,983
	<hr/>	<hr/>
Total program services	5,712,256	4,706,711
General and administrative	846,899	545,711
Fundraising	281,782	209,362
	<hr/>	<hr/>
Total expenses	6,840,937	5,461,784
	<hr/>	<hr/>
Change in unrestricted net assets	\$ 187,874	\$ 74,635
	<hr/>	<hr/>

The accompanying notes are an integral part of these statements.

TEACH PLUS INCORPORATED

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
NET ASSETS , September 30, 2012	<u>\$ 376,397</u>	<u>\$ 3,267,681</u>	<u>\$ 3,644,078</u>
Change in unrestricted net assets	74,635	-	74,635
Temporarily restricted grants and contributions	-	3,587,346	3,587,346
Net assets released from restrictions	<u>-</u>	<u>(3,267,681)</u>	<u>(3,267,681)</u>
Changes in net assets	<u>74,635</u>	<u>319,665</u>	<u>394,300</u>
NET ASSETS , September 30, 2013	<u>451,032</u>	<u>3,587,346</u>	<u>4,038,378</u>
Change in unrestricted net assets	187,874	-	187,874
Temporarily restricted grants and contributions	-	3,643,971	3,643,971
Net assets released from restrictions	<u>-</u>	<u>(4,304,292)</u>	<u>(4,304,292)</u>
Changes in net assets	<u>187,874</u>	<u>(660,321)</u>	<u>(472,447)</u>
NET ASSETS , September 30, 2014	<u><u>\$ 638,906</u></u>	<u><u>\$ 2,927,025</u></u>	<u><u>\$ 3,565,931</u></u>

The accompanying notes are an integral part of these statements.

TEACH PLUS INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (472,447)	\$ 394,300
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	62,189	50,863
Loss on sale of property and equipment	-	6,067
Increase in discount of grants receivable	16,029	-
Changes in operating assets and liabilities:		
Accounts receivable	(152,291)	(31,855)
Grants receivable	1,541,096	(3,106,096)
Prepaid expenses	(52,503)	(32,247)
Security deposits	(9,276)	(7,289)
Accounts payable	44,928	36,491
Accrued expenses	(16,146)	55,630
Deferred rent	107,117	94,767
	<u>1,068,696</u>	<u>(2,539,369)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	-	4,900
Acquisition of property and equipment	(103,537)	(106,610)
	<u>(103,537)</u>	<u>(101,710)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	965,159	(2,641,079)
CASH AND CASH EQUIVALENTS, beginning of year	<u>590,783</u>	<u>3,231,862</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,555,942</u>	<u>\$ 590,783</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cost basis of property and equipment sold	<u>\$ -</u>	<u>\$ 17,698</u>

The accompanying notes are an integral part of these statements.

TEACH PLUS INCORPORATED

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

(With Summarized Comparative Totals for the Year Ended June 30, 2013)

	2014							2013
	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL
	TEACHING POLICY FELLOWS	T3 INITIATIVE	T + NETWORK	TOTAL PROGRAM SERVICES	GENERAL AND ADMINIS- TRATIVE	FUNDRAISING	TOTAL	
PERSONNEL AND RELATED:								
Salaries	\$ 916,413	\$ 1,348,883	\$ 855,355	\$ 3,120,651	\$ 448,276	\$ 161,815	\$ 3,730,742	\$ 3,181,909
Non-salaried personnel	279,800	183,433	100	463,333	-	-	463,333	468,200
Employee benefits	34,269	97,819	91,436	223,524	60,403	11,658	295,585	200,743
Payroll taxes	102,551	103,881	31,529	237,961	32,058	12,442	282,461	246,523
Total personnel and related	<u>1,333,033</u>	<u>1,734,016</u>	<u>978,420</u>	<u>4,045,469</u>	<u>540,737</u>	<u>185,915</u>	<u>4,772,121</u>	<u>4,097,375</u>
OTHER EXPENSES:								
Professional fees	106,579	161,931	100,250	368,760	157,718	10,364	536,842	324,037
Travel	257,009	111,091	43,613	411,713	9,985	2,672	424,370	280,643
Occupancy	127,709	128,543	58,787	315,039	90,103	17,368	422,510	258,131
Meetings and conferences	107,812	118,979	51,608	278,399	2,339	9,460	290,198	190,816
Information technology	65,161	53,393	21,424	139,978	17,887	52,137	210,002	135,636
Depreciation	23,080	22,673	6,364	52,117	7,352	2,720	62,189	50,863
Office expenses	35,445	13,337	4,648	53,430	6,025	336	59,791	50,507
Advertising and promotion	22,597	15,120	3,612	41,329	8,065	810	50,204	60,024
Miscellaneous	4,406	1,420	196	6,022	2,717	-	8,739	11,018
Insurance	-	-	-	-	3,971	-	3,971	2,734
Total other expenses	<u>749,798</u>	<u>626,487</u>	<u>290,502</u>	<u>1,666,787</u>	<u>306,162</u>	<u>95,867</u>	<u>2,068,816</u>	<u>1,364,409</u>
Total expenses	<u>\$ 2,082,831</u>	<u>\$ 2,360,503</u>	<u>\$ 1,268,922</u>	<u>\$ 5,712,256</u>	<u>\$ 846,899</u>	<u>\$ 281,782</u>	<u>\$ 6,840,937</u>	<u>\$ 5,461,784</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>	
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
Employee benefits	54,860	74,631	44,746	174,237	16,073	10,433	200,743
Payroll taxes	67,034	90,341	56,450	213,825	19,620	13,078	246,523
	<u>1,227,351</u>	<u>1,557,378</u>	<u>830,687</u>	<u>3,615,416</u>	<u>295,359</u>	<u>186,600</u>	<u>4,097,375</u>
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
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
Advertising and promotion	6,801	24,721	11,908	43,430	15,802	792	60,024
Miscellaneous	630	1,494	-	2,124	8,894	-	11,018
Insurance	-	-	-	-	2,734	-	2,734
	<u>422,017</u>	<u>426,982</u>	<u>242,296</u>	<u>1,091,295</u>	<u>250,352</u>	<u>22,762</u>	<u>1,364,409</u>
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, 2014 AND 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. During fiscal year 2014, the Organization began the C2 Initiative. The C2 Initiative is a teacher-led professional learning series that brings teachers together to collaboratively learn from each other about the Common Core.

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 notes are to the FASB Accounting Standards Codification (ASC).

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 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, 2014 and 2013, are restricted as follows:

	<u>2014</u>	<u>2013</u>
Purpose	\$1,636,192	\$3,142,346
Time	<u>1,290,833</u>	<u>445,000</u>
	<u>\$2,927,025</u>	<u>\$3,587,346</u>

Net assets released from restriction consists of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Time	\$3,405,263	\$2,421,681
Purpose	<u>899,029</u>	<u>846,000</u>
	<u>\$4,304,292</u>	<u>\$3,267,681</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 statements of unrestricted activities as net assets released from restriction. 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.

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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
Software and website	3 years

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, 2014 and 2013.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An 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.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at September 30, 2014 and 2013. The Organization's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

In-Kind Services

The Organization received in-kind legal services during fiscal years 2014 and 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 years ended September 30, 2014 and 2013, the Organization incurred \$50,204 and \$60,024 of advertising and promotion related costs, respectively.

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through March 24, 2015, which is the date the financial statements were available to be issued. Except as disclosed in Note 7, there were no events that met the criteria for recognition or disclosure in the financial statements.

(2) **OPERATING LEASES**

The Organization leases office space in Boston, Chicago, Memphis, Washington D.C., 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 years ended September 30, 2014 and 2013, was \$370,415 and \$222,860, respectively. 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 \$201,884 and \$94,767 of rent expense under its operating lease agreements as of September 30, 2014 and 2013, respectively. The Organization leases parking spaces in addition to those included in the operating leases. Parking space lease expense for the years ended September 30, 2014 and 2013, was \$21,066 and \$11,740, respectively.

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

2015	\$ 309,850
2016	\$ 328,522
2017	\$ 333,412
2018	\$ 320,274
2019	\$ 296,146
Thereafter	\$1,002,195

(3) **GRANTS RECEIVABLE**

Grants receivable are due as follows at September 30:

<u>Amounts due in:</u>	<u>2014</u>	<u>2013</u>
Less than one year	\$1,065,000	\$3,106,096
One to five years	<u>500,000</u>	<u>-</u>
	1,565,000	3,106,096
Less - present value discount	16,029	-
Less - current portion	<u>1,065,000</u>	<u>3,106,096</u>
Long-term grants receivable, net	<u>\$ 483,971</u>	<u>\$ -</u>

Long-term grants receivable at September 30, 2014, have been recorded at net present value using a 2.0% discount rate.

TEACH PLUS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(Continued)

(4) **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of September 30:

	<u>2014</u>	<u>2013</u>
Equipment	\$242,008	\$234,411
Furniture and fixtures	94,838	77,527
Software	53,748	-
Website	24,881	-
	<u>415,475</u>	<u>311,938</u>
Less - accumulated depreciation	<u>172,704</u>	<u>110,515</u>
	<u>\$242,771</u>	<u>\$201,423</u>

The website was not placed into service as of September 30, 2014, and therefore was not depreciated during fiscal year 2014.

(5) **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 \$72,349 and \$71,110 to this plan during the years ended September 30, 2014 and 2013, respectively, which is included in employee benefits in the accompanying statements of functional expenses.

(6) **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.

Concentrations of grants and contributions and related receivables are as follows for the years ended September 30:

<u>Funder</u>	<u>Percentage of Grants and Contributions Revenue</u>		<u>Percentage of Grants and Contributions Receivable</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Private Foundation - A	24%	-	48%	-
Private Foundation - B	18%	-	-	-
Private Foundation - C	17%	3%	23%	-
Private Foundation - D	6%	-	16%	-
Private Foundation - E	-	59%	-	88%

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(6) **CONCENTRATIONS** (Continued)

Concentrations of contract revenue and accounts receivable are as follows for the years ended September 30:

<u>Funder</u>	<u>Percentage of Contract Revenue</u>		<u>Percentage of Accounts Receivable</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
School District – A	29%	30%	50%	43%
School District – B	14%	15%	37%	23%

(7) **CONDITIONAL GRANTS**

As of September 30, 2014, the Organization has been awarded two conditional grants from private foundations totaling \$3,000,000, of which \$1,000,000 was recognized through September 30, 2014. The remaining balance of these grants is conditional, as future payments are subject to the funders' assessment of the Organization's program and the Organization achieving specific benchmarks as defined in the grant agreements. Accordingly, these conditional grants will be recorded when the funders' conditions are met.

In October 2014, the Organization received a three-year grant totaling \$7,500,000 from a private foundation. The grant is payable in three annual installments of \$2,500,000. The second and third installments are conditional upon the Organization raising matching funds and other conditions.

The remaining balances of these grants are expected to be received, if conditions are met, as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$3,500,000
2016	\$3,500,000
2017	\$2,500,000

(8) **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, 2014 and 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, 2014 and 2013. This agreement expires in August 2015.

(9) **RECLASSIFICATION**

Certain amounts in the fiscal year 2013 financial statements have been reclassified to conform to the fiscal year 2014 presentation.