

TEACH FOR AMERICA, INC.

FINANCIAL STATEMENTS

(Including Single Audit)

May 31, 2022 and 2021

TEACH FOR AMERICA
New York, New York

FINANCIAL STATEMENTS
(Including Single Audit)
May 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Teach For America, Inc.

Opinion

We have audited the financial statements of Teach For America, Inc. ("TFA"), which comprise the statements of financial position as of May 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Teach For America, Inc. as of May 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Teach For America, Inc. 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.

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 TFA's ability to continue as a going concern for one year from the date 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 GAAS and *Government 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.

(Continued)

In performing an audit in accordance with GAAS and *Government 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 TFA'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 TFA'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head, Political Subdivision Head or Chief Executive Officer, as required by the State of Louisiana, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 on our consideration of the TFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TFA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TFA's internal control over financial reporting and compliance.



Crowe LLP

New York, New York
November 7, 2022

TEACH FOR AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 21,570,587	\$ 55,023,239
Restricted cash (Note 2)	2,018,567	2,015,340
Grants and contracts receivable	4,152,158	3,957,910
Fee for service receivable, net (Note 2)	819,599	589,049
Prepaid expenses and other assets	8,083,881	6,689,682
Contributions receivable, net (Note 4)	29,559,351	30,930,592
Loans receivable from corps members, net (Note 5)	203,026	2,481,005
Investments, at fair value (Note 3)	418,309,013	462,220,239
Fixed assets, net (Note 6)	<u>13,945,031</u>	<u>16,604,118</u>
 Total assets	 <u>\$ 498,661,213</u>	 <u>\$ 580,511,174</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 35,912,688	\$ 41,404,189
Deferred rent payable (Note 12)	9,006,609	9,597,871
Deferred revenue (Note 2)	4,683,729	3,280,121
Other liabilities	<u>44,701</u>	<u>92,616</u>
Total liabilities	<u>49,647,727</u>	<u>54,374,797</u>
 Commitment and Contingencies (Notes 7 and 12)		
Net Assets		
Without Donor Restriction	188,152,872	228,623,977
With Donor Restriction (Note 8 and 9)	<u>260,860,614</u>	<u>297,512,400</u>
Total net assets	<u>449,013,486</u>	<u>526,136,377</u>
 Total liabilities and net assets	 <u>\$ 498,661,213</u>	 <u>\$ 580,511,174</u>

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2022, with comparative totals for 2021

	Without Donor Restriction	With Donor Restriction	2022 Total	2021 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 112,834,511	\$ 25,523,185	\$ 138,357,696	\$ 166,121,022
Grants and contracts	45,177,971	-	45,177,971	46,286,184
Fee for service	19,232,875	-	19,232,875	21,656,700
Special events, including related contributions (Note 2)	11,019,721	425,000	11,444,721	12,178,378
Interest and dividend income (Note 3)	3,296,581	3,940,517	7,237,098	6,332,578
Net appreciation in fair value of investments (Note 3)	(14,377,735)	(17,067,537)	(31,445,272)	124,503,035
Other revenue	6,049,029	912,787	6,961,816	4,970,279
Reclassification of assets (Note 9)	9,951,090	(9,951,090)	-	-
Net assets released from restrictions (Note 8)	40,434,648	(40,434,648)	-	-
Total revenues, gains and other support	<u>233,618,691</u>	<u>(36,651,786)</u>	<u>196,966,905</u>	<u>382,048,176</u>
OPERATING EXPENSES				
Program services				
Corps member recruitment, selection and placement	49,560,100	-	49,560,100	49,278,207
Pre-service institute	23,302,829	-	23,302,829	22,602,790
Corps member professional development and other	97,154,751	-	97,154,751	92,487,794
Alumni affairs	31,229,121	-	31,229,121	27,721,210
Total program services	<u>201,246,801</u>	<u>-</u>	<u>201,246,801</u>	<u>192,090,001</u>
Supporting services				
Management and general	43,928,175	-	43,928,175	43,010,905
Fundraising	28,914,820	-	28,914,820	27,108,389
Total supporting services	<u>72,842,995</u>	<u>-</u>	<u>72,842,995</u>	<u>70,119,294</u>
Total operating expenses	<u>274,089,796</u>	<u>-</u>	<u>274,089,796</u>	<u>262,209,295</u>
Change in net assets	<u>(40,471,105)</u>	<u>(36,651,786)</u>	<u>(77,122,891)</u>	<u>119,838,881</u>
Net assets, beginning of year	<u>228,623,977</u>	<u>297,512,400</u>	<u>526,136,377</u>	<u>406,297,496</u>
Net assets, end of year	<u>\$ 188,152,872</u>	<u>\$ 260,860,614</u>	<u>\$ 449,013,486</u>	<u>\$ 526,136,377</u>

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2021

	Without Donor Restriction	With Donor Restriction	2021 Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 128,780,129	\$ 37,340,893	\$ 166,121,022
Grants and contracts	46,286,184	-	46,286,184
Fee for service	21,656,700	-	21,656,700
Special events, including related contributions (Note 2)	11,863,378	315,000	12,178,378
Interest and dividend income (Note 3)	2,920,207	3,412,371	6,332,578
Net appreciation in fair value of investments (Note 3)	52,897,736	71,605,299	124,503,035
Other revenue	4,968,838	1,441	4,970,279
Reclassification of assets (Note 9)	10,592,411	(10,592,411)	-
Net assets released from restrictions (Note 8)	<u>41,728,560</u>	<u>(41,728,560)</u>	<u>-</u>
Total revenues, gains and other support	<u>321,694,143</u>	<u>60,354,033</u>	<u>382,048,176</u>
OPERATING EXPENSES			
Program services			
Corps member recruitment, selection and placement	49,278,207	-	49,278,207
Pre-service institute	22,602,790	-	22,602,790
Corps member professional development and other	92,487,794	-	92,487,794
Alumni affairs	<u>27,721,210</u>	<u>-</u>	<u>27,721,210</u>
Total program services	<u>192,090,001</u>	<u>-</u>	<u>192,090,001</u>
Supporting services			
Management and general	43,010,905	-	43,010,905
Fundraising	<u>27,108,389</u>	<u>-</u>	<u>27,108,389</u>
Total supporting services	<u>70,119,294</u>	<u>-</u>	<u>70,119,294</u>
Total operating expenses	<u>262,209,295</u>	<u>-</u>	<u>262,209,295</u>
Change in net assets	<u>59,484,848</u>	<u>60,354,033</u>	<u>119,838,881</u>
Net assets, beginning of year	<u>169,139,129</u>	<u>237,158,367</u>	<u>406,297,496</u>
Net assets, end of year	<u>\$ 228,623,977</u>	<u>\$ 297,512,400</u>	<u>\$ 526,136,377</u>

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2022

	Program Services					Supporting Services			
	Corps Member Recruitment, Selection and Placement	Pre-Service Institute	Corps Member Professional Development and Other	Alumni Affairs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:									
Personnel expenses	\$ 33,564,391	\$ 15,325,467	\$ 68,732,018	\$ 18,354,558	\$ 135,976,434	\$ 29,007,985	\$ 23,601,394	\$ 52,609,379	\$ 188,585,813
Professional services	2,275,344	969,191	8,693,502	3,084,616	15,022,653	4,821,446	1,696,448	6,517,894	21,540,547
Travel, meetings and subsistence	747,934	285,022	2,142,037	892,440	4,067,433	224,421	462,048	686,469	4,753,902
Corps member support	8,006,638	5,295,451	2,317,157	2,935,830	18,555,076	27,548	99,865	127,413	18,682,489
Postage and delivery	60,399	10,090.00	103,257	46,002	219,748	40,486	25,078	65,564	285,312
Telecommunications	176,986	16,356	920,565	55,085	1,168,992	171,847	80,014	251,861	1,420,853
Equipment and supplies	1,191,021	455,796	1,772,282	430,123	3,849,222	3,690,502	457,860	4,148,362	7,997,584
Special events	-	-	24,293	-	24,293	-	901,680	901,680	925,973
Subscriptions and dues	104,648	73,830	403,272	140,560	722,310	314,604	177,104	491,708	1,214,018
Grants	-	-	36,700	4,203,000	4,239,700	-	-	-	4,239,700
Printing, advertising and media	1,201,477	140,381	334,210	133,182	1,809,250	52,904	185,455	238,359	2,047,609
Occupancy	1,333,182	471,593	9,534,381	659,383	11,998,539	2,218,932	898,765	3,117,697	15,116,236
Bad debt expense	(2,782)	(1,540)	140,617	(28)	136,267	43,900	(225)	43,675	179,942
Other	101,192	145,277	485,258	195,327	927,054	115,187	82,487	197,674	1,124,728
Interest, insurance, and fees	87,060	57,283	276,310	47,079	467,732	503,267	187,128	690,395	1,158,127
Depreciation and amortization	712,610	58,632	1,238,892	51,964	2,062,098	2,695,146	59,719	2,754,865	4,816,963
Total	\$ 49,560,100	\$ 23,302,829	\$ 97,154,751	\$ 31,229,121	\$ 201,246,801	\$ 43,928,175	\$ 28,914,820	\$ 72,842,995	\$ 274,089,796

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2021

	Program Services					Supporting Services			
	Corps Member Recruitment, Selection and Placement	Pre-Service Institute	Corps Member Professional Development and Other	Alumni Affairs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:									
Personnel expenses	\$ 32,123,523	\$ 16,457,439	\$ 65,237,230	\$ 16,401,342	\$ 130,219,534	\$ 27,904,224	\$ 22,563,319	\$ 50,467,543	\$ 180,687,077
Restructuring expenses (Note 2)	786,585	402,981	1,597,417	401,607	3,188,590	683,270	552,492	1,235,762	4,424,352
Professional services	1,740,497	1,579,379	4,861,318	1,507,376	9,688,570	4,455,412	1,833,030	6,288,442	15,977,012
Travel, meetings and subsistence	112,547	100,223	811,009	472,139	1,495,918	69,381	124,875	194,256	1,690,174
Corps member support	8,721,547	1,068,652	3,342,902	2,836,423	15,969,524	42,967	163,865	206,832	16,176,356
Postage and delivery	42,366	130,296	143,632	71,152	387,446	34,218	27,984	62,202	449,648
Telecommunications	214,695	29,295	1,078,784	57,343	1,380,117	212,264	48,923	261,187	1,641,304
Equipment and supplies	1,134,722	1,844,923	1,983,078	358,151	5,320,874	3,082,832	340,258	3,423,090	8,743,964
Special events	-	-	-	-	-	-	18,498	18,498	18,498
Subscriptions and dues	233,467	99,702	337,417	173,820	844,406	410,950	161,129	572,079	1,416,485
Grants	-	-	51,004	4,265,835	4,316,839	-	31,735	31,735	4,348,574
Printing, advertising and media	612,009	171,400	235,702	190,946	1,210,057	105,875	208,824	314,699	1,524,756
Occupancy	2,302,217	487,057	10,466,181	733,946	13,989,401	2,384,144	659,231	3,043,375	17,032,776
Bad debt expense	361,396	2,455	12,695	2,641	379,187	14,146	3,940	18,086	397,273
Other	106,621	145,876	422,310	140,348	815,155	54,094	91,574	145,668	960,823
Interest, insurance, and fees	80,110	40,690	457,154	42,083	620,037	643,931	217,980	861,911	1,481,948
Depreciation and amortization	705,905	42,422	1,449,961	66,058	2,264,346	2,913,197	60,732	2,973,929	5,238,275
Total	\$ 49,278,207	\$ 22,602,790	\$ 92,487,794	\$ 27,721,210	\$ 192,090,001	\$ 43,010,905	\$ 27,108,389	\$ 70,119,294	\$ 262,209,295

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENTS OF CASH FLOWS
For the years ended May 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (77,122,891)	\$ 119,838,881
Adjustment to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,816,963	5,238,275
Bad debt expense	179,942	397,273
Forgiveness of loans receivable from corps members	2,307,344	-
Change in allowances for doubtful contributions, fee for service and loans receivable	(439,472)	(190,400)
Net depreciation (appreciation) in fair value of investments	31,445,272	(124,503,035)
Losses on disposal of fixed assets	128,131	380,356
Contributed investment securities	(6,650,065)	(9,326,219)
Change in present value discount of contributions receivable	(218,780)	(128,480)
Changes in operating assets and liabilities:		
Contributions receivable	1,764,778	11,344,772
Grants and contracts receivable	(194,248)	4,161,952
Fee for service receivable	(231,550)	(94,202)
Prepaid expense and other assets	(1,507,578)	2,225,962
Accounts payable and accrued expenses	(5,491,501)	5,815,696
Deferred rent payable	(591,262)	(1,218,698)
Deferred revenue	1,403,608	155,805
Other liabilities	(40,583)	(216,832)
Net cash (used in) provided by operating activities	<u>(50,441,892)</u>	<u>13,881,106</u>
Cash flows from investing activities		
Proceeds from the sale of investments	26,639,890	19,623,651
Purchase of investments	(7,527,099)	(6,332,578)
Purchase of fixed assets	(2,286,007)	(3,786,591)
Loans to corps members	(2,011,119)	(2,982,734)
Repayments of loans from corps members	2,180,907	3,214,920
Net cash provided by investing activities	<u>16,996,572</u>	<u>9,736,668</u>
Cash flows from financing activities		
Standby letter of credit reserve against office space lease	3,227	3,006
Payments on capital lease obligation	(7,332)	(8,664)
Net cash provided by financing activities	<u>(4,105)</u>	<u>(5,658)</u>
Net increase in cash and cash equivalents and restricted cash	(33,449,425)	23,612,116
Cash and cash equivalents and restricted cash, beginning of year	<u>57,038,579</u>	<u>33,426,463</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 23,589,154</u>	<u>\$ 57,038,579</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 192,401</u>	<u>\$ 340,377</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital lease obligations	<u>\$ 2,735</u>	<u>\$ 2,793</u>
Forgiveness of loans receivable from corps members	<u>\$ 2,307,344</u>	<u>\$ -</u>

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Teach For America, Inc. (“TFA”) is a not-for-profit corporation, incorporated in the State of Connecticut on October 6, 1989.

Children growing up in historically marginalized and disenfranchised communities lack access to a broad spectrum of resources and opportunities and attend schools that are not equipped to meet their needs. To address this, TFA’s mission is to find, develop, and support a diverse network of equity-oriented leaders – individually and in teams - committed to expanding opportunity for children from classrooms, schools, and every sector and field that shapes the broader systems in which schools operate. TFA does this by finding promising leaders; developing and cultivating the leadership skills and mindsets necessary for systems change through classroom teaching; and supporting the individual and collective leadership, relationships, and learning of those in the TFA network throughout their lifetime.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation: The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), as applicable to not-for-profit entities.

The accompanying financial statements present information regarding TFA’s financial position and activities based upon the existence or absence of donor-imposed restrictions and, accordingly, have been classified into two categories of net assets: without donor restrictions and with donor restrictions, as follows:

Without donor restrictions net assets - are not subject to donor-imposed stipulations. These amounts include Board-designated resources for use as long-term investment to provide an ongoing stream of investment income for selected activities such as expansion and program services, as well as cash reserves, in the event TFA should experience a cash shortfall. As of May 31, 2022 and 2021, the total amount of Board-designated net assets without donor restrictions authorized to function as endowments were approximately \$125,147,000, and \$124,860,000, respectively (Note 9).

With donor restrictions net assets - include net assets subject to donor-imposed stipulations that expire with the passage of time or can be fulfilled by the actions of TFA, pursuant to those stipulations (Note 8). In addition, earnings on certain donor-restricted endowments are classified as with donor restrictions until appropriated for expenditure by the Board of Directors (Note 9). This category also includes gifts and pledges which are required by donor-imposed stipulations to be maintained in perpetuity (Note 9). The income derived from net assets with donor restrictions is available for general or specific operating purposes, as stipulated by the respective donors.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates: The preparation of the financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements: TFA reports certain assets and liabilities at fair value. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an “exit” price) in the principal or most advantageous market for asset or liability between market participants on the measurement date (Note 3).

TFA determines fair value of financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices in active markets or in markets not considered to be active.

Level 3: Unobservable inputs that are supported by little or no market activity. Fair value measurement for these financial instruments requires significant management judgment or estimation.

Cash and Cash Equivalents: Cash and cash equivalents include cash and short-term investments with original maturities of three months or less. Cash and cash equivalents that are part of designated reserves and managed by external investment managers as part of TFA’s long-term investment strategy are included in investments in the accompanying statements of financial position.

Restricted Cash: TFA entered into a letter of credit agreement with Wells Fargo in connection with its national office, which required \$2,012,334 to be maintained as a security deposit under a letter of credit agreement renewing annually until the end of the lease term in January 2032. Restricted cash earned \$6,233 and \$3,006 of interest for the period ended May 31, 2022 and 2021, respectively.

Investments: Investments in equity securities with readily determinable fair values are measured at fair value in the accompanying statements of financial position and reported based on quoted market prices. Purchases and sales of securities are reflected on a trade-date basis. Changes in fair value are reported as net appreciation in fair value of investments in the accompanying statements of activities. Gains and losses on the sales of securities are based on average costs and are recorded in the statements of activities in the period in which securities are sold. Interest and dividends are recognized in the period earned.

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of TFA to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Management determined that there were no impairments as of May 31, 2022 and 2021.

Contributions: TFA records unconditional promises to give as revenues in the period received at fair value, using the present value of estimated future cash flows discounted at an appropriate rate. Contributions to be received after one year are discounted to present value using a risk-adjusted rate (Note 4). Amortization of the discount is recorded as additional contribution revenue.

Loans Receivable, Net: Loans receivable from corps members are recorded at their net realizable values and are generally due to be paid back, free from interest, over a period of one to two years (Note 5).

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowances for Doubtful Accounts: Allowances for doubtful accounts are netted against corresponding receivables based upon management's judgment of their respective realizability, including consideration of such factors as prior collection history and type of receivable. Receivables are only written off when deemed fully uncollectible to the allowance for doubtful accounts. Payments, if any, subsequently received on previously written off balances are recognized as reductions of current year bad debt expense. There were no recoveries of previously reserved receivable balances in 2022 or 2021.

Fixed Assets, Net: Fixed assets are reported at cost for amounts greater than or equal to \$2,500. Donations of property and equipment, if any, are recorded at their estimated fair values on the date of donation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When fixed assets are retired or otherwise disposed of, the appropriate accounts are relieved of the respective carrying value and accumulated depreciation, and any resultant gain or loss is credited or charged to the change in net assets. Depreciation and amortization is computed using the straight-line method based on the estimated useful lives (3-40 years) of the various assets or the lesser of the remaining lease term, as applicable.

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on such assets are recognized based on the excess of the respective asset's carrying amount over its fair value. There were no impairments in 2022 or 2021.

Revenue Recognition:

Deferred Revenue

Deferred revenue consists of grant funds received prior to revenue being earned and is recognized as revenue when related expenses are incurred.

Contributions

Unconditional promises to give and contributions of assets other than cash, including goods and services, are recorded at their estimated fair value at the date of contribution. TFA reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants and Contracts

Revenue from government and private grants and contracts is recognized as earned, that is, as related costs are incurred or services rendered under such agreements.

Fee for Service Revenue

TFA has contractual agreements with various school districts across the United States of America to recruit, select, train, and place corps members to teach within such school districts. TFA recognizes revenue related to these contractual agreements as performance obligations are satisfied, that is, when the school district places a corps member, typically at the start of the school year each fall and as professional development services are provided to the teachers throughout the school year. Fee for service receivables were presented net of an allowance of \$0 and \$5,000 for the years ended May 31, 2022 and 2021, respectively.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Events Revenue: Revenue related to special events is recognized upon occurrence of the respective event. Included in special events revenue are related contributions of \$11,445,000 and \$12,170,000 for the years ending May 31, 2022 and 2021, respectively.

Advertising Expenses: TFA expenses advertising costs as they are incurred. Advertising expenses amounted to approximately \$2,050,000 and \$1,525,000 for the years ended May 31, 2022 and 2021, respectively.

Functional Allocation of Expenses: The costs of providing TFA's programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Non-personnel expenses that are allocated include depreciation and occupancy, which are allocated on an employee headcount and direct project function basis. Personnel expenses are allocated on the basis of estimates of employee time and effort. The following is a description of TFA's programs:

Corps Member Recruitment, Selection and Placement - TFA recruits and selects a teaching corps of outstanding college graduates to teach the nation's most underserved students. The recruitment and selection process includes scheduling and attending on and off campus recruiting events, processing applications, and conducting interviews across the country. TFA places corps members in various urban and rural regions throughout the United States and provides assistance to the corps members through a needs-based financial aid program to support them with their moves to these regions.

Pre-Service Institute - TFA conducts intensive summer training institutes led by its staff and in conjunction with local public school districts as part of teacher preparation for incoming corps members. In response to COVID-19 safety requirements in place during summer 2021, approximately 2,267 corps members were trained in a mostly virtual pre-service setting.

Corps Member Professional Development and Other - In each region, TFA has regional offices, which are responsible for placing corps members in schools, monitoring progress throughout their two-year commitment, providing opportunities for ongoing leadership and/or educator professional development, and helping corps members to feel part of a national corps.

Alumni Affairs - TFA has an alumni base of former corps members all over the world. These individuals present a powerful opportunity to continue to expand educational opportunity. TFA engages in activities that support and encourage alumni to continue to work in education and across sectors to address issues negatively impacting low income communities - most notably focused on information/knowledge dissemination and networking. TFA also supports alumni via activities intended to develop alumni in leadership practice and/or specific programmatic areas: classroom practice, school leadership, school systems leadership, policy/organizing work, and social entrepreneurship.

Restructuring Expenses: During the year ended May 31, 2021 TFA incurred severance and related expenses of approximately \$4,400,000 in connection with a TFA-wide strategic reorganization which is included on the statements of activities. There were no restructuring expenses for the year ended May 31, 2022.

Income Taxes: TFA follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

TFA is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. TFA has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. TFA has determined that there are no material uncertain tax positions that require recognition or disclosure in the accompanying financial statements. In addition, TFA has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Concentration of Credit Risk: Financial instruments which potentially subject TFA to concentrations of credit risk consist primarily of cash and cash equivalents and investment securities. TFA maintains its cash and cash equivalents with creditworthy, high-quality financial institutions. TFA's bank balances typically exceed federally insured limits. However, TFA has not experienced, nor does it anticipate, any losses with respect to such bank balances. TFA's investment portfolio is diversified in a variety of asset classes. TFA regularly evaluates its depository arrangements and investment strategies, including performance thereof. TFA believes that its credit risks are not significant to the accompanying financial statements.

NOTE 3 - INVESTMENTS, AT FAIR VALUE

A summary of investments at May 31, 2022 and 2021, follows:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 3,253,792	\$ 1,497,835
Equities	390,232,855	427,504,328
Fixed income securities	<u>24,822,366</u>	<u>33,218,076</u>
	<u>\$ 418,309,013</u>	<u>\$ 462,220,239</u>

The investments noted above as money market funds, equities, and fixed income securities are classified as Level 1 investments within the fair value hierarchy as of May 31, 2022 and 2021.

For the years ended May 31, 2022 and 2021, TFA's investment returns consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 7,237,098	\$ 6,332,578
Appreciation (depreciation) in fair value of investments	(31,269,006)	124,664,014
Less: Investment fees	<u>(176,266)</u>	<u>(160,979)</u>
Total investment return	<u>\$ (24,208,174)</u>	<u>\$ 130,835,613</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

A summary of contributions receivable at May 31, 2022 and 2021, follows:

	<u>2022</u>	<u>2021</u>
Due in:		
Less than one year	\$ 22,817,934	\$ 21,479,668
One to five years	7,584,122	10,687,166
	<u>30,402,056</u>	<u>32,166,834</u>
Less: Discount to present value ranging from 1.32% to 1.71% and 1.17% to 1.49% at May 31, 2022 and 2021, respectively	(107,862)	(326,642)
Allowance for doubtful accounts	<u>(734,843)</u>	<u>(909,600)</u>
Contributions receivable, net	<u>\$ 29,559,351</u>	<u>\$ 30,930,592</u>

During the years ended May 31, 2022 and 2021, approximately \$175,000 and \$190,000 of contributions receivable, respectively, were written off as uncollectible.

In cases where a donor has notified TFA of a conditional intent to give, the amounts have not been recorded in the accompanying financial statements. Such conditional gifts represent promises to give that contain one or more barriers that must be overcome and a right of return to the contributor, and totaled approximately \$15,300,000 and \$13,300,000 for the years ended May 31, 2022 and 2021, respectively.

For the years ended May 31, 2022 and 2021, TFA received new contributions, mostly in cash, from members of its National Board of Directors totaling approximately \$24,691,000 and \$33,300,000, respectively, which represented 13.8% and 20% of total contributions, respectively.

NOTE 5 - LOANS RECEIVABLE FROM CORPS MEMBERS, NET

TFA makes uncollateralized loans to corps members based on financial need which are funded through TFA's loan programs. During the fiscal year ended May 31, 2022, TFA forgave approximately \$2,307,000 in outstanding loans to corps members in good standing as part of a comprehensive financial support plan. As of May 31, 2022 and 2021, these loans represented approximately 0.04% and .5% of total assets, respectively.

A summary of corps member loans at May 31, 2022 and 2021, follows:

	<u>2022</u>	<u>2021</u>
Corps Member Transition Loans	\$ 636,874	\$ 3,114,005
Less: Allowance for doubtful accounts	<u>(433,848)</u>	<u>(633,000)</u>
	<u>\$ 203,026</u>	<u>\$ 2,481,005</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 5 - LOANS RECEIVABLE FROM CORPS MEMBERS, NET (Continued)

The following amounts were past due under the Corps Member Loan Program:

<u>Year ending May 31,</u>	<u>One Year Past Due</u>	<u>Two Years Past Due</u>	<u>Over Three Years Past Due</u>	<u>Total Past Due</u>
2022	\$ 50,425	\$ 22,601	\$ 14,231	\$ 87,257
2021	\$ 287,493	\$ 120,068	\$ 89,613	\$ 497,174

Allowances for doubtful loans are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be uncollectible. There was approximately \$270,000 and \$585,000 written off during the years ended May 31, 2022 and 2021, respectively.

NOTE 6 - FIXED ASSETS, NET

A summary of fixed assets follows:

	<u>2022</u>	<u>2021</u>
Building	\$ 536,252	\$ 536,252
Vehicles	78,257	81,867
Computer equipment and software	30,027,990	29,237,444
Furniture, fixtures and office equipment	6,738,722	7,326,166
Leasehold improvements	18,880,403	19,070,889
Subtotal	<u>56,261,624</u>	<u>56,252,618</u>
Less: accumulated depreciation	<u>(42,316,593)</u>	<u>(39,648,500)</u>
Fixed assets, net	<u>\$ 13,945,031</u>	<u>\$ 16,604,118</u>

Depreciation and amortization expense related to fixed assets totaled approximately \$4,817,000 and \$5,238,000 for the years ended May 31, 2022 and 2021, respectively.

During the years ended May 31, 2022 and 2021, TFA disposed of approximately \$2,273,000 and \$10,400,000 of fixed assets that resulted in losses of approximately \$128,000 and \$380,000, respectively. The majority of these disposals represented fixed assets that were fully depreciated.

(Continued)

TEACH FOR AMERICA, INC.
 NOTES TO FINANCIAL STATEMENTS
 May 31, 2022 and 2021

NOTE 7 - LINE OF CREDIT

TFA had a \$35,000,000 line of credit agreement with Bank of America with interest at market index BSBY 1M plus 0.75% as of May 31, 2022, secured by investments held in a collateral account. The line of credit agreement expires March 27, 2023. The effective interest rate was 0.83% at May 31, 2022. At May 31, 2021, TFA had a \$35,000,000 line of credit agreement with Wells Fargo with interest at market index LIBOR plus 1.00%, secured by all cash and cash equivalents and pledge receivables. The effective interest rate was 1.00% at May 31, 2021 and the agreement was terminated March 22, 2022. TFA drew down on its line of credit during both 2022 and 2021; however, at both May 31, 2022 and 2021, there were no amounts outstanding. As of May 31, 2022 TFA reported compliance with its covenants.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or time periods, as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Cumulative endowment earnings	\$ 104,631,606	\$ 127,914,267
Teacher recruitment and selection, placement, professional development, expansion, and other	16,767,920	25,699,855
Time restrictions on contributions	<u>21,949,214</u>	<u>26,636,404</u>
	143,348,740	180,250,526
 Donor restricted endowment fund held in perpetuity	 <u>117,511,874</u>	 <u>117,261,874</u>
 Total net assets with donor restrictions	 <u>\$ 260,860,614</u>	 <u>\$ 297,512,400</u>

Net assets released from restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions on contributions	\$ 18,809,440	\$ 22,240,612
Teacher recruitment and selection, placement, professional development, expansion, and other	<u>21,625,208</u>	<u>19,487,948</u>
	<u>\$ 40,434,648</u>	<u>\$ 41,728,560</u>

NOTE 9 - ENDOWMENT NET ASSETS

TFA's endowment consists of individual funds established for various purposes, with related investments overseen by the Finance Committee of the Board of Directors. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 9 - ENDOWMENT NET ASSETS (Continued)

Relevant Law: The Board of Directors of TFA has interpreted the Connecticut State Not-For-Profit Corporation Law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, management classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment; (b) the original value of the subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as with donor restrictions until those amounts are appropriated for expenditure by TFA's Board.

Management considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of TFA and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income on the appreciation of investments;
6. Other resources of TFA; and
7. The investment policies of TFA.

Endowment net asset composition, by type, consisted of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 125,146,501	\$ -	\$ 125,146,501
Donor-restricted endowment funds	-	222,143,480	222,143,480
Total	\$ 125,146,501	\$ 222,143,480	\$ 347,289,981

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 124,859,622	\$ -	\$ 124,859,622
Donor-restricted endowment funds	-	245,176,141	245,176,141
Total	\$ 124,859,622	\$ 245,176,141	\$ 370,035,763

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 9 - ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets during the years ended May 31, 2022 and 2021, consisted of the following:

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 124,859,622	\$ 245,176,141	\$ 370,035,763
Contribution	-	250,000	250,000
Investment return:			
Investment income, net of fees	2,216,214	3,940,516	6,156,730
Net (depreciation) appreciation (realized and unrealized)	<u>(9,740,116)</u>	<u>(17,067,537)</u>	<u>(26,807,653)</u>
Total investment return, net of fees	<u>(7,523,902)</u>	<u>(13,127,021)</u>	<u>(20,650,923)</u>
Reclassification of assets	9,951,090	(9,951,090)	-
Distribution	<u>(2,140,309)</u>	<u>(204,550)</u>	<u>(2,344,859)</u>
Endowment net assets, end of year	<u>\$ 125,146,501</u>	<u>\$ 222,143,480</u>	<u>\$ 347,289,981</u>
	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 78,069,683	\$ 180,750,882	\$ 258,820,565
Contribution	-	-	-
Investment return:			
Investment income, net of fees	1,744,310	3,412,371	5,156,681
Net (depreciation) appreciation (realized and unrealized)	<u>35,694,242</u>	<u>71,605,299</u>	<u>107,299,541</u>
Total investment return, net of fees	<u>37,438,552</u>	<u>75,017,670</u>	<u>112,456,222</u>
Reclassification of assets	10,410,916	(10,410,916)	-
Distribution	<u>(1,059,529)</u>	<u>(181,495)</u>	<u>(1,241,024)</u>
Endowment net assets, end of year	<u>\$ 124,859,622</u>	<u>\$ 245,176,141</u>	<u>\$ 370,035,763</u>

At May 31, 2022 and 2021, investments related to donor-restricted endowments had provided cumulative investment returns totaling approximately \$191,830,000 and \$204,956,000, respectively, to support general operating purposes, as per donor intent. See Spending Policy below for information on reclassification.

(Continued)

NOTE 9 - ENDOWMENT NET ASSETS (Continued)

Funds with Deficiencies: From time to time, the fair value of the investment assets related to individual donor-restricted endowment funds may fall below the level that the donor requires TFA to retain as a fund of permanent duration. There were no deficiencies at May 31, 2022 and 2021.

Return Objectives and Risk Parameters: TFA has adopted investment and spending policies for endowment assets that attempt to provide a predictable and stable stream of funding to programs and support services supported by its endowment while seeking to maintain the purchasing power of the endowment assets to support future operations. Endowment assets include those assets of donor-restricted funds that TFA must hold in permanent duration as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, TFA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). TFA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy: For the years ended May 31, 2022 and 2021, there were approximately \$2,345,000 and \$1,241,000 distributions from TFA's endowments, respectively. The distribution of \$2,345,000 for the year ended May 31, 2022 related to cumulative spend amount from two donor endowments that were used for operations per the donor intent, and allowed spending of quasi-endowment earnings calculated in accordance with TFA's spending policy. In addition, as required by TFA's treasury policy, TFA transfers the cumulative spending reserves on the endowment to a separate quasi endowment account. For the years ended May 31, 2022 and 2021, the Board approved a transfer of cumulative spending reserves on the endowment to a separate quasi endowment account in the amount of approximately \$9,951,000 and \$10,410,000, respectively.

Upon authorization from the Board of Directors, spending will be determined based upon the sum of:

- 70% of prior year endowment spending, adjusted upward (or downward) by the inflation (deflation) rate as measured by the change in the consumer price index for the 12 months ending on the date six months prior to the start of the fiscal year.
- 30% of the long-term spending rate of 5%, multiplied by the average market value of the endowment over the 12 months ending on the date six months prior to the start of the fiscal year (calculated by averaging the market value of the endowment on the dates 6 months, 9 months, 12 months, and 15 months before the start of the fiscal year).

In establishing this policy, TFA considered the long-term expected return on its endowment. Accordingly, over the long term TFA expects the current spending policy to allow its endowment to grow at a pace at least equal with inflation. This is consistent with TFA's objective to maintain the purchasing power of the endowment assets held in funds of a permanent duration or for a specified term to support future operations.

(Continued)

NOTE 10 - EDUCATION AWARDS DUE TO CORPS MEMBERS

TFA granted education awards (the “awards”) for eligible corps members who successfully completed the 2020-2021 and prior school years. The awards were intended to mirror the awards provided by the Corporation of National and Community Service when certain corps members could not access the funds. For both years ended May 31, 2022 and 2021, 83 corps members in their 1st and 2nd school years were granted \$6,345 that could be applied to pay student loans or educational expenses. For both years ended May 31, 2022 and 2021, approximately \$1,310,000 and \$3,200,000 remained to be disbursed, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

The awards are valid for approximately 7 years post completion of the corps members’ service and are payable through July 1, 2028, at which time these awards expire. Approximately \$1,700,000 awards from the 2013-2014 school year expired in the fiscal year ended May 31, 2022, and \$1,300,000 expired in the fiscal year ended May 31, 2021.

NOTE 11 - RETIREMENT PLAN

TFA offers full and part-time staff members who worked at least 20 hours a week or are expected to work 1,000 hours in the first year of employment the opportunity to participate in a 403(b) retirement program. This is a defined contribution plan (the “Plan”) with employer matching contributions equal to 100% of the employee’s contributions up to 5% of their gross earned salary in each fiscal year. Participants are fully vested after twelve months of employment. Withdrawal cannot be made without penalty until the age of 59½. TFA matching contributions totaled approximately \$5,512,000 and \$5,536,000 for the years ended May 31, 2022 and 2021, respectively.

TFA also offers an Executive 457(b) Retirement Plan, which is a non-qualified 457(b) Retirement Plan for select key managerial and highly compensated employees. Only discretionary employer contributions are allowed under the Plan. For the years ended May 31, 2022 and 2021, employer contributions to this plan were approximately \$14,254, and \$21,900, respectively.

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Operating Leases: TFA has entered into approximately 54 lease agreements for its National and regional offices, expiring at various dates through January 2032. TFA also has various lease agreements for office equipment at its national and regional offices, expiring at various dates through March 2023.

A summary of future minimum lease payments under all non-cancelable operating leases, follows:

<u>Year ending May 31,</u>	<u>Office Space</u>	<u>Equipment</u>
2023	\$ 11,416,922	\$ 28,054
2024	8,560,518	373
2025	7,598,089	-
2026	7,529,797	-
2027	6,782,639	-
2028	6,651,799	-
Thereafter	<u>25,495,698</u>	<u>-</u>
Total	<u>\$ 74,035,462</u>	<u>\$ 28,427</u>

Total rent expense approximated \$14,200,000 and \$14,900,000 for the years ended May 31, 2022 and 2021, respectively.

In addition to the above, TFA entered into 28 sublease agreements for facilities it no longer needed. Each of these leases require payment of base rent plus additional rent for insurance, common area maintenance, and other costs, and are expected to expire at various dates through January 2032. Future lease income under these agreements will be approximately \$2,656,000, \$1,306,000, \$1,286,000, and \$1,405,000 for the next five years, respectively and \$3,109,000 thereafter through January 2032. Rental income totaled approximately \$3,570,000 and \$3,300,000 for the years ended May 31, 2022 and 2021, respectively, and is included within other revenue in the accompanying statements of activities.

Deferred Rent Payable: Certain operating leases contain escalation clauses and rent abatements that are being recognized over the terms of the respective leases. The deferred rent balances totaled approximately \$9,000,000 and \$9,600,000 at May 31, 2022 and 2021, respectively.

Contingencies: In the normal course of its operations, TFA is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of TFA is not aware of any claims or contingencies that would have a material adverse effect on TFA's financial position, changes in net assets or cash flows.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 13 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions, limiting their use, within one year of the statement of financial position as of May 31, 2022 and 2021 comprise of:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash	\$ 21,570,587	\$ 55,023,239
Restricted cash	2,018,567	2,015,340
Grants and contracts receivable	4,152,158	3,957,910
Fee for service receivable, net	819,599	589,049
Contributions receivable, net	29,559,351	30,930,592
Loans receivable from corp members, net	203,026	2,481,005
Investments	<u>418,309,013</u>	<u>462,220,239</u>
Total financial assets	<u>\$ 476,632,301</u>	<u>\$ 557,217,374</u>
Less amounts not available for general expenditure within one year:		
Restricted cash	(2,018,567)	(2,015,340)
Contributions receivable, net due greater than one year	(6,741,417)	(9,450,924)
Loans receivable from corp members, due greater than one year	(87,257)	(497,174)
Donor restricted endowment funds net of estimated draw within one year	(211,350,479)	(235,225,051)
Board-Designated endowment funds	(125,146,501)	(124,859,622)
Donor restricted funds net of estimated draw within one year	<u>(9,696,175)</u>	<u>(15,661,622)</u>
Financial assets not available to be used within one year	<u>\$ (355,040,395)</u>	<u>\$ (387,709,733)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 121,591,906</u>	<u>\$ 169,507,641</u>

TFA's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amount available for general use. Donor-restricted endowment funds are not available for general expenditure.

(Continued)

NOTE 13 - LIQUIDITY AND AVAILABILITY (Continued)

TFA's donor endowment of approximately \$222,143,000 is subject to an annual spending rate as described in Note 9:

- 70% of prior year endowment spending, adjusted upward (or downward) by the inflation (deflation) rate as measured by the change in the consumer price index for the 12 months ending on the date six months prior to the start of the fiscal year.
- 30% of the long-term spending rate of 5%, multiplied by the average market value of the endowment over the 12 months ending on the date six months prior to the start of the fiscal year (calculated by averaging the market value of the endowment on the dates 6 months, 9 months, 12 months, and 15 months before the start of the fiscal year).

Although TFA does not plan to spend from its board-designated endowment of approximately \$125,147,000 (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of TFA's liquidity management, TFA invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To address anticipated needs aligned to our treasury strategy and/or unanticipated liquidity needs, TFA has a committed line of credit in the amount of \$35,000,000 which it could draw upon.

NOTE 14 - SUBSEQUENT EVENTS

TFA has evaluated subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position through November 7, 2022, the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TEACH FOR AMERICA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD,
POLITICAL SUBDIVISION HEAD OR CHIEF EXECUTIVE OFFICER
Year ended May 31, 2022

Agency Head Name: Elisa Villanueva Beard, Chief Executive Officer

<u>Purpose</u>	<u>Amount*</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-other (describe)	-
Car allowance	-
Vehicle provided by government (enter amount reported on W-2)	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses (example: travel advances, etc.)	-
Special meals	-
Other	-

* As a not for profit auditee, Teach for America is required to report only the compensation, reimbursements, and benefits paid to the agency head or Chief Executive Officer that are paid from Louisiana public funds.

See independent auditor's report.

TEACH FOR AMERICA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2022

	<u>Pass-Through Entity/Identifying Number</u>	<u>Assistance Listing Number</u>	<u>Expenditures of Federal Awards</u>	<u>Amounts Passed Through to Subrecipients</u>
Corporation for National and Community Service:				
Pass-through awards:				
The State of Alabama				
2020-2021 Formula Award	20FXHAL0010001	94.006	\$ 7,489	\$ -
2021-2022 Formula Award	20FXHAL0010001	94.006	54,685	-
The State of Arizona				
2021-2022 Award	AC-VSG-21-090121-00	94.006	71,293	-
The State of Connecticut				
2020-2021 Award	19FXHCT002	94.006	6,852	-
2021-2022 Award	19FXHCT0020002	94.006	43,507	-
The State of Delaware				
2020-2021 Fixed Award	19FXHDE0020001	94.006	5,200	-
2021-2022 Fixed Award	35-12-40-2022-AC03	94.006	13,500	-
The State of District of Columbia				
2020-2021 Award	16ESHDC0010002	94.006	4,268	-
2021-2022 Award	19FXHDC002	94.006	40,318	-
The State of Florida				
2021-2022 Award	18AFHFL0010035	94.006	134,262	-
The State of Georgia				
2020-2021 Award	18FXHGA0010001	94.006	14,905	-
2021-2022 Award	18FXHGA0010001	94.006	88,863	-
The State of Hawaii				
2020-2021 Award	19FXHHI0020002	94.006	10,540	-
2021-2022 Award	19FXHHI0020002	94.006	98,929	-
The State of Idaho				
2020-2021 Award	20ESHID0010002	94.006	8,746	-
2021-2022 Award	20ESHID0010002	94.006	29,245	-
The State of Illinois				
2021-2022 Award	2807-31086	94.006	100	-
The State of Kentucky				
2020-2021 Award	20ESHKY001	94.006	1,667	-
2021-2022 Award	20ESHKY001	94.006	22,424	-
The State of Louisiana				
2020-2021 Fixed Award	20ESHLA0020001	94.006	7,026	-
2021-2022 Fixed Award	20ESHLA0020001	94.006	105,317	-
The State of Maryland				
2020-2021 Award	19FXHMD0020002	94.006	10,414	-
2021-2022 Award	19FXHMD0020002	94.006	169,035	-
The State of Massachusetts				
2020-2021 Award	19FXHMA0020003	94.006	22,569	-
2021-2022 Award	19FXHMA0020004	94.006	167,749	-

(Continued)

TEACH FOR AMERICA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2022

	<u>Pass-Through Entity/Identifying Number</u>	<u>Assistance Listing Number</u>	<u>Expenditures of Federal Awards</u>	<u>Amounts Passed Through to Subrecipients</u>
The Michigan Department of Health and Human Services				
2020-2021 Award	17FXHMI0020002	94.006	4,520	-
2021-2022 Award	20FXHMI0020001	94.006	20,010	-
The State of Missouri				
2021-2022 Award	20AFHMO0010001	94.006	96,033	-
The State of New Jersey				
2020-2021 Award	18FXHNJ0020001	94.006	4,178	-
2021-2022 Award	18FXHNJ0020001	94.006	53,003	-
The State of New Mexico				
2020-2021 Award	20ESHNM0010001	94.006	4,158	-
2021-2022 Award	20ESHNM0010001	94.006	14,384	-
The State of Ohio				
2020-2021 Award	19FXHOH0020001	94.006	10,606	-
2021-2022 Award	19FXHOH0020001	94.006	69,337	-
The State of Oklahoma				
2020-2021 Award	19FXHOK0010002	94.006	13,522	-
2021-2022 Award	19FXHOK0010002	94.006	93,541	-
The State of Pennsylvania				
2020-2021 Award	19AFHPA0010001	94.006	8,984	-
2021-2022 Award	19AFHPA0010001	94.006	34,000	-
2021-2022 Award	19AFHPA0010001	94.006	76,779	-
The State of Rhode Island				
2020-2021 Fixed Award	18FXHRI0010001	94.006	5,313	-
2021-2022 Fixed Award	18FXHRI0010001	94.006	58,087	-
The State of South Carolina				
2020-2021 Fixed Award	20ESHSC0010001	94.006	7,548	-
2021-2022 Fixed Award	20ESHSC0010001	94.006	40,928	-
The State of Tennessee				
2021-2022 Award	19FXHTN0020004	94.006	154,080	-
2021-2022 Award	19FXHTN0020005	94.006	154,362	-
The State of Texas				
2021-2022 Award	18FXHTX0010003	94.006	57,455	-
2021-2022 Award	18FXHTX0010003	94.006	475,992	-
The State of Wisconsin				
2021-2022 Award	17FXHWI0020003	94.006	3,609	-
2021-2022 Award	20FXHWI0020001	94.006	15,499	-
Total Corporation for National and Community Service			2,614,831	-

(Continued)

TEACH FOR AMERICA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2022

	<u>Pass-Through Entity/Identifying Number</u>	<u>Assistance Listing Number</u>	<u>Expenditures of Federal Awards</u>	<u>Amounts Passed Through to Subrecipients</u>
U.S. Department of Education				
Direct Awards:				
Supporting Effective Educators Development (SEED)	U423A190075	84.423A	542,120	542,120
Supporting Effective Educators Development (SEED)	S423A200011	84.423A	6,264,353	536,964
Total Supporting Effective Educators Development (SEED)			<u>6,806,473</u>	<u>1,079,084</u>
COVID-19 - Education Stabilization Fund:				
Governor's Emergency Education Relief (GEER) Fund	ERMT-21-5005	84.425C	500,000	-
Governor's Emergency Education Relief (GEER) Fund	S425C200019	84.425C	777,897	-
Governor's Emergency Education Relief (GEER) Fund	S425C200014	84.425C	650,101	-
Governor's Emergency Education Relief (GEER) Fund	S425C200027	84.425C	1,000,000	-
American Rescue Plan and Elementary and Secondary School Emergency Relief	S425U210024	84.425U	269,185	-
Total COVID-19 - Education Stabilization Fund:			<u>3,197,183</u>	<u>-</u>
Education Innovation and Research (EIR)				
	U411C170167	84.411C	825,273	249,672
Promise Neighborhoods				
	U215N170054	84.215N	76,733	-
	U215N170054	84.215N	47,971	-
	U215N170054	84.215N	67,123	-
Total Promise Neighborhoods			<u>191,828</u>	<u>-</u>
Total U.S. Department of Education			11,020,757	1,328,756
U.S. Department of Labor				
WIA/WIOA Youth Activities		17.259	39,298	-
Total U.S. Department of Labor			<u>39,298</u>	<u>-</u>
Research and Development Cluster				
National Science Foundation				
CS10K: Prioritizing & Expanding Access to Computer Science				
Instruction in High-needs High Schools	1837394	47.070	222,634	32,962
Total Research and Development Cluster			<u>222,634</u>	<u>32,962</u>
Appalachian Regional Commission				
Appalachian Area Development	KY-20161-20	23.002	164,929	-
			<u>164,929</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 14,062,448</u>	<u>\$ 1,361,718</u>

The accompanying notes are an integral part of
the Schedule of Expenditures of Federal Awards.

TEACH FOR AMERICA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the activity of Teach for America ("TFA") for the year ended May 31, 2022 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of TFA, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of TFA.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. TFA has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Teach for America
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Teach Foer America ("TFA"), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TFA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TFA's internal control. Accordingly, we do not express an opinion on the effectiveness of TFA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether TFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

New York, New York
November 7, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Trustees
Teach for America
New York, New York

Report on Compliance for Each Major Federal Program

We have audited Teach for America's ("TFA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on TFA's major federal programs for the year ended May 31, 2022. TFA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Teach for America complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Teach for America and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Teach for America's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Teach for America's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Teach for America's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Teach for America's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Teach for America's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Teach for America's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Teach for America's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

New York, New York
November 7, 2022

TEACH FOR AMERICA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
May 31, 2022

Section I—Summary of Auditor’s Results

Financial Statements:

Type of report the auditor issued on whether the
Financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.423A	Supporting Effective Educators Development
84.425C	COVID – 19 Education Stabilization Fund - Governor’s Emergency Education Relief Fund
84.425U	COVID – 19 Education Stabilization Fund - American Rescue Plan and Elementary and Secondary School Emergency Relief
84.411C	Education Innovation and Research

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II—Financial Statement Findings

None noted.

Section III—Federal Award Findings and Questioned Costs

None noted.

TEACH FOR AMERICA, INC.

**LOUISIANA STATEWIDE AGREED-UPON
PROCEDURES REPORT**

May 31, 2022

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Josh Griggs
Teach For America, Inc.
New York, New York
and
Louisiana Legislative Auditor
New Orleans, Louisiana

We have performed the procedures enumerated below on, which were agreed to by Teach For America (the "Organization") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period ended May 31, 2022. The Organization's management is responsible for those C/C areas identified in the SAUPs.

Teach For America, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period May 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and the associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:¹
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

¹ For governmental organizations, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including nonprofits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**², including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy .
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Board or Finance Committee³

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds⁴, and semi-annual budget- to-actual, at a minimum, on all special revenue funds⁷. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds⁵ if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

² The Louisiana Code of Ethics is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a nonprofit, the nonprofit should have written policies and procedures relating to ethics.

³ These procedures are not applicable to entities managed by a single elected official, such as a sheriff or assessor.

⁴ Proprietary and special revenue funds are defined under GASB standards. The related procedure addresses these funds as a way to verify that boards are provided with financial information necessary to make informed decisions about entity operations, including proprietary and special revenue operations that are not required to be budgeted under the Local Government Budget Act.

⁵ R.S. 24:513 (A)(1)(b)(iv) defines public funds

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts⁶ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections (excluding electronic funds transfers)⁷

4. Obtain a listing of deposit sites⁸ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations⁹ and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

⁶ Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

⁷ The Collections category is not required to be tested if the entity has a third party contractor performing all collection functions (i.e., receiving collections, preparing deposits, and making deposits).

⁸ A deposit site is a physical location where a deposit is prepared and reconciled.

⁹ A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit. For example, in a school district a collection location may be a classroom and a deposit site may be the school office.

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards¹⁰. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by

¹⁰ Including cards used by school staff for either school operations or student activity fund operations.

someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

- b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing)¹¹. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Travel and Travel-Related Expense Reimbursements¹² (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law¹³ (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).

¹¹ For example, if 3 of the 5 cards selected were fuel cards, only 10 transactions would be selected for each of the 2 credit cards. Conceivably, if all 5 cards randomly selected under procedure #12 were fuel cards, Procedure #13 would not be applicable.

¹² Non-travel reimbursements are not required to be tested under this category.

¹³ If the entity has adopted the state Procurement Code, replace “Louisiana Public Bid Law” with “Louisiana Procurement Code.”

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtain a listing of employees and officials¹⁴ employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials¹⁵ documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Ethics¹⁶

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Debt Service¹⁷

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

¹⁴ "Officials" would include those elected, as well as board members who are appointed.

¹⁵ "Officials" would include those elected, as well as board members who are appointed.

¹⁶ The Louisiana Code of Ethics is generally not applicable to nonprofit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a nonprofit, the procedures should be performed.

¹⁷ This AUP category is generally not applicable to nonprofit entities; however, if applicable, the procedures should be performed.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises¹⁸ and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.¹⁹

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c. Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:
 - a. Number and percentage of public servants in the agency who have completed the training requirements;
 - b. Number of sexual harassment complaints received by the agency;
 - c. Number of complaints which resulted in a finding that sexual harassment occurred;

¹⁸ Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

¹⁹ This notice is available for download or print at www.la.gov/hotline.

- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e. Amount of time it took to resolve each complaint.

We were engaged by Teach For America, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Teach For America, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Crowe LLP

New York, New York
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