

TEACH FOR AMERICA, INC.

FINANCIAL STATEMENTS

May 31, 2023 and 2022

TEACH FOR AMERICA, INC.
New York, New York

FINANCIAL STATEMENTS
May 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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). 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 TFA 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, TFA adopted Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) for the year ended May 31, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TFA's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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.


Crowe LLP

New York, New York
November 17, 2023

TEACH FOR AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 42,804,493	\$ 21,570,587
Restricted cash (Note 2)	-	2,018,567
Grants and contracts receivable	5,836,786	4,152,158
Fee for service receivable, net (Note 2)	702,449	819,599
Prepaid expenses and other assets	10,311,493	8,083,881
Contributions receivable, net (Note 4)	30,087,766	29,559,351
Loans receivable from corps members, net (Note 2)	699,632	203,026
Investments, at fair value (Note 3)	374,564,644	418,309,013
Right-of-use assets (Note 2)	48,670,352	-
Fixed assets, net (Note 5)	<u>13,506,967</u>	<u>13,945,031</u>
 Total assets	 <u>\$ 527,184,582</u>	 <u>\$ 498,661,213</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 40,622,250	\$ 35,957,389
Deferred rent payable	-	9,006,609
Deferred revenue (Note 2)	6,344,069	4,683,729
Lease liabilities (Note 11)	<u>56,581,971</u>	<u>-</u>
Total liabilities	<u>103,548,290</u>	<u>49,647,727</u>
 Commitment and Contingencies (Notes 6 and 11)		
Net Assets		
Without Donor Restriction	157,410,430	188,152,872
With Donor Restriction (Notes 7 and 8)	<u>266,225,862</u>	<u>260,860,614</u>
Total net assets	<u>423,636,292</u>	<u>449,013,486</u>
 Total liabilities and net assets	 <u>\$ 527,184,582</u>	 <u>\$ 498,661,213</u>

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2023, with comparative totals for 2022

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	2023 <u>Total</u>	2022 <u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 147,604,880	\$ 40,248,327	\$ 187,853,207	\$ 138,357,696
Grants and contracts	55,822,661	-	55,822,661	45,177,971
Fee for service	15,275,927	-	15,275,927	19,232,875
Special events, including related contributions (Note 2)	5,855,268	4,104,466	9,959,734	11,444,721
Interest and dividend income (Note 3)	3,294,688	3,925,022	7,219,710	7,237,098
Net depreciation in fair value of investments (Note 3)	(2,273,651)	(784,168)	(3,057,819)	(31,445,272)
Other revenue	3,522,223	2,014	3,524,237	6,961,816
Reclassification of assets (Note 8)	11,000,062	(11,000,062)	-	-
Net assets released from restrictions (Note 7)	<u>31,130,351</u>	<u>(31,130,351)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>271,232,409</u>	<u>5,365,248</u>	<u>276,597,657</u>	<u>196,966,905</u>
OPERATING EXPENSES				
Program services				
Corps Members	133,972,215	-	133,972,215	168,000,067
Alumni	46,511,263	-	46,511,263	31,229,121
Systems Change	23,914,892	-	23,914,892	-
Ignite Fellowship	5,537,374	-	5,537,374	2,017,613
Restructuring expenses (Note 2)	<u>6,857,019</u>	<u>-</u>	<u>6,857,019</u>	<u>-</u>
Total program services	<u>216,792,763</u>	<u>-</u>	<u>216,792,763</u>	<u>201,246,801</u>
Supporting services				
Management and general	44,553,451	-	44,553,451	43,928,175
Fundraising	37,332,407	-	37,332,407	28,914,820
Restructuring expenses (Note 2)	<u>3,296,230</u>	<u>-</u>	<u>3,296,230</u>	<u>-</u>
Total supporting services	<u>85,182,088</u>	<u>-</u>	<u>85,182,088</u>	<u>72,842,995</u>
Total operating expenses	<u>301,974,851</u>	<u>-</u>	<u>301,974,851</u>	<u>274,089,796</u>
Change in net assets	<u>(30,742,442)</u>	<u>5,365,248</u>	<u>(25,377,194)</u>	<u>(77,122,891)</u>
Net assets, beginning of year	<u>188,152,872</u>	<u>260,860,614</u>	<u>449,013,486</u>	<u>526,136,377</u>
Net assets, end of year	<u>\$ 157,410,430</u>	<u>\$ 266,225,862</u>	<u>\$ 423,636,292</u>	<u>\$ 449,013,486</u>

See accompanying notes to financial statements.

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

	Without Donor Restriction	With Donor Restriction	2022 Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 112,834,511	\$ 25,523,185	\$ 138,357,696
Grants and contracts	45,177,971	-	45,177,971
Fee for service	19,232,875	-	19,232,875
Special events, including related contributions (Note 2)	11,019,721	425,000	11,444,721
Interest and dividend income (Note 3)	3,296,581	3,940,517	7,237,098
Net depreciation in fair value of investments (Note 3)	(14,377,735)	(17,067,537)	(31,445,272)
Other revenue	6,049,029	912,787	6,961,816
Reclassification of assets (Note 8)	9,951,089	(9,951,089)	-
Net assets released from restrictions (Note 7)	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>
OPERATING EXPENSES			
Program services			
Corps Members	168,000,067	-	168,000,067
Alumni	31,229,121	-	31,229,121
Ignite Fellowship	2,017,613	-	2,017,613
Total program services	<u>201,246,801</u>	<u>-</u>	<u>201,246,801</u>
Supporting services			
Management and general	43,928,175	-	43,928,175
Fundraising	28,914,820	-	28,914,820
Total supporting services	<u>72,842,995</u>	<u>-</u>	<u>72,842,995</u>
Total operating expenses	<u>274,089,796</u>	<u>-</u>	<u>274,089,796</u>
Change in net assets	<u>(40,471,105)</u>	<u>(36,651,786)</u>	<u>(77,122,891)</u>
Net assets, beginning of year	<u>228,623,977</u>	<u>297,512,400</u>	<u>526,136,377</u>
Net assets, end of year	<u>\$ 188,152,872</u>	<u>\$ 260,860,614</u>	<u>\$ 449,013,486</u>

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2023

	Program Services					Supporting Services			
	Corps <u>Members</u>	<u>Alumni</u>	Systems <u>Change</u>	Ignite <u>Fellowship</u>	Total Program <u>Services</u>	Management <u>and General</u>	<u>Fundraising</u>	Total Supporting <u>Services</u>	<u>Total</u>
Expenses:									
Personnel expenses	\$ 90,537,285	\$ 26,832,923	\$ 19,202,489	\$ 2,773,744	\$ 139,346,441	\$ 32,350,616	\$ 30,505,044	\$ 62,855,660	\$ 202,202,101
Restructuring expenses (Note 2)	3,391,295	43,799	2,048,222	1,373,703	\$ 6,857,019	2,268,169	1,028,061	\$ 3,296,230	\$ 10,153,249
Corps member support	17,135,922	5,401,828	336,666	2,304,141	25,178,557	28,469	64,174	92,643	25,271,200
Professional services	6,198,067	3,046,365	2,541,674	111,634	11,897,740	4,280,150	1,440,156	5,720,306	17,618,046
Occupancy	6,779,916	2,241,603	523,533	84,539	9,629,591	1,393,802	2,045,185	3,438,987	13,068,578
Travel, meetings and subsistence	3,699,467	2,634,942	637,783	113,684	7,085,876	547,115	592,945	1,140,060	8,225,936
Equipment and supplies	3,499,936	830,342	294,519	68,284	4,693,081	2,774,321	705,340	3,479,661	8,172,742
Grants	2,047,006	4,353,605	1,869	109	6,402,589	14,752	2,013	16,765	6,419,354
Depreciation and amortization	1,343,617	256,345	68,026	6,834	1,674,822	2,257,662	194,343	2,452,005	4,126,827
Telecommunications	508,055	256,345	96,881	14,007	875,288	126,921	157,729	284,650	1,159,938
Interest, insurance, fees and other	575,205	43,756	660	965	620,586	364,614	165,755	530,369	1,150,955
Printing, advertising and media	601,386	208,004	53,574	9,036	872,000	28,224	187,565	215,789	1,087,789
Subscriptions and dues	409,051	174,865	53,659	35,013	672,588	220,293	184,391	404,684	1,077,272
Special events	42,219	8,728	685	-	51,632	1,210	963,690	964,900	1,016,532
Other	331,325	188,758	95,634	14,392	630,109	38,083	98,264	136,347	766,456
Bad debt expense	167,472	69	-	-	167,541	103,028	103	103,131	270,672
Postage and delivery	96,286	32,785	7,240	992	137,303	24,191	25,710	49,901	187,204
Total	<u>\$ 137,363,510</u>	<u>\$ 46,555,062</u>	<u>\$ 25,963,114</u>	<u>\$ 6,911,077</u>	<u>\$ 216,792,763</u>	<u>\$ 46,821,620</u>	<u>\$ 38,360,468</u>	<u>\$ 85,182,088</u>	<u>\$ 301,974,851</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 Members	Alumni	Ignite Fellowship	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:								
Personnel expenses	\$ 116,928,555	\$ 18,354,558	\$ 693,321	\$ 135,976,434	\$ 29,007,985	\$ 23,601,394	\$ 52,609,379	\$ 188,585,813
Professional services	11,691,645	3,084,616	246,392	15,022,653	4,821,446	1,696,448	6,517,894	21,540,547
Corps member support	14,577,827	2,935,830	1,041,420	18,555,077	27,548	99,865	127,413	18,682,490
Occupancy	11,339,156	659,383	-	11,998,539	2,218,932	898,765	3,117,697	15,116,236
Equipment and supplies	3,416,932	430,123	2,167	3,849,222	3,690,502	457,860	4,148,362	7,997,584
Depreciation and amortization	2,010,133	51,964	-	2,062,097	2,695,146	59,720	2,754,866	4,816,963
Travel, meetings and subsistence	3,154,549	892,440	20,445	4,067,434	224,421	462,048	686,469	4,753,903
Grants	36,700	4,203,000	-	4,239,700	-	-	-	4,239,700
Printing, advertising and media	1,675,372	133,182	696	1,809,250	52,904	185,455	238,359	2,047,609
Telecommunications	1,110,883	55,085	3,024	1,168,992	171,847	80,014	251,861	1,420,853
Subscriptions and dues	577,159	140,560	4,591	722,310	314,604	177,104	491,708	1,214,018
Interest, insurance, and fees	420,653	47,079	-	467,732	503,267	187,128	690,395	1,158,127
Other	727,095	195,327	4,629	927,051	115,188	82,488	197,676	1,124,727
Special events	24,293	-	-	24,293	-	901,680	901,680	925,973
Postage and delivery	172,819	46,002	928	219,749	40,486	25,078	65,564	285,313
Bad debt expense	136,296	(28)	-	136,268	43,899	(227)	43,672	179,940
Total	<u>\$ 168,000,067</u>	<u>\$ 31,229,121</u>	<u>\$ 2,017,613</u>	<u>\$ 201,246,801</u>	<u>\$ 43,928,175</u>	<u>\$ 28,914,820</u>	<u>\$ 72,842,995</u>	<u>\$ 274,089,796</u>

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENTS OF CASH FLOWS
For the years ended May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (25,377,194)	\$ (77,122,891)
Adjustment to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,126,827	4,816,963
Bad debt expense	270,672	179,942
Forgiveness of loans receivable from corps members	-	2,307,344
Change in allowances for doubtful contributions, fee for service and loans receivable	(236,053)	(439,472)
Net depreciation in fair value of investments	3,057,819	31,445,272
Loss on disposal of fixed assets	64,460	128,131
Contributed investment securities	(4,140,749)	(6,650,065)
Change in present value discount of contributions receivable	(123,742)	(218,780)
Changes in operating assets and liabilities:		
Contributions receivable	(589,516)	1,764,778
Grants and contracts receivable	(1,684,628)	(194,248)
Fee for service receivable	89,650	(231,550)
Prepaid expense and other assets	(2,239,506)	(1,507,578)
Accounts payable and accrued expenses	4,667,596	(5,532,084)
Operating right-of-use assets and lease liabilities, net	(1,094,990)	-
Deferred rent payable	-	(591,262)
Deferred revenue	1,660,340	1,403,608
Net cash used in operating activities	<u>(21,549,014)</u>	<u>(50,441,892)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	52,043,542	26,639,890
Purchase of investments	(7,216,243)	(7,527,099)
Purchase of fixed assets	(3,753,223)	(2,286,007)
Loans to corps members	(1,072,362)	(2,011,119)
Repayments of loans from corps members	765,374	2,180,907
Net cash provided by investing activities	<u>40,767,088</u>	<u>16,996,572</u>
Cash flows from financing activities		
Standby letter of credit reserve against office space lease	-	3,227
Payments on finance lease	(2,735)	(7,332)
Net cash used in financing activities	<u>(2,735)</u>	<u>(4,105)</u>
Net increase in cash and cash equivalents and restricted cash	19,215,339	(33,449,425)
Cash and cash equivalents and restricted cash, beginning of year	<u>23,589,154</u>	<u>57,038,579</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 42,804,493</u>	<u>\$ 23,589,154</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 508,489	\$ 192,401
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Finance lease obligations	\$ -	\$ 2,735
Forgiveness of loans receivable from corps members	-	2,307,344

See accompanying notes to financial statements.

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 attract, 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; engaging the individual and collective impact of those in the TFA network throughout their lifetime; and growing the organization by learning new capabilities to enable a path for transformative change.

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 - 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 available 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, 2023 and 2022, the total amount of Board-designated net assets without donor restrictions authorized to function as endowments were approximately \$108,119,000, and \$124,942,000, respectively (Note 8).

With donor restrictions - 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 7). In addition, earnings on certain donor-restricted endowments are classified as with donor restrictions until appropriated for expenditure by the Board of Directors (Note 8). This category also includes gifts and pledges which are required by donor-imposed stipulations to be maintained in perpetuity (Note 8). The income derived from net assets with donor restrictions is available for general or specific operating purposes, as stipulated by the respective donors and TFA's spending policy (Note 8).

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 is required to maintain a letter of credit agreement in connection to its national office lease. TFA’s original letter required \$2,012,334 to be maintained as a security deposit and earned \$3,466 and \$6,233 of interest on the restricted cash for the period ended May 31, 2023 and 2022, respectively. Under the terms of a new letter of credit agreement, TFA is no longer required to maintain the security deposit.

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, 2023 and 2022.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. As of May 31, 2023 and 2022, these loans represented approximately 0.13% and 0.04 % of total assets, respectively. The allowance for loans receivable was \$244,230 and \$433,848 as of May 31, 2023 and 2022, respectively.

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 2023 or 2022.

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 2023 or 2022.

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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and charter networks across the United States of America to recruit, select, train, and place corps members to teach within such schools. 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. Fee for service receivables were presented net of an allowance of \$0 for the years ended May 31, 2023 and 2022.

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 \$9,684,000, and \$11,140,000, and exchange transactions of \$275,600 and \$304,240 for the years ending May 31, 2023 and 2022, respectively.

Advertising Expenses: TFA expenses advertising costs as they are incurred. Advertising expenses amounted to approximately \$1,100,000 and \$2,050,000 for the years ended May 31, 2023 and 2022, respectively.

Leases: At the inception of an arrangement, TFA determines if an arrangement is a lease based on all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in right-of-use ("ROU") assets and lease liabilities in the statement of financial position. TFA has no finance leases that are of a material nature as of May 31, 2023. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less (short-term leases) are not recorded on the balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Some leases include one or more options to extend the lease, with extension terms that can extend the lease term by one to five years. The exercise of lease extension options is at our sole discretion. The lease term includes options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We generally conclude options to extend the lease are reasonably certain to be exercised when we conclude it is cost prohibitive to relocate operations or pursue alternative leased assets. Certain leases contain early termination penalties; however, as of May 31, 2023, it is not reasonably certain that TFA will exercise or become subject to such early termination penalties.

Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification. Real estate leases comprise the majority of our leasing activities. We account for the lease and non-lease components of these leases as a single lease component.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. For FY23, TFA's major programs have been updated to reflect new strategic directions centered around lines of impact in pursuit of our mission. Below is a description of these programs:

Corps Members - TFA recruits, selects, trains and develop exceptional, diverse, equity-oriented leaders to teach the nation's most underserved students. The organization hosts on and off campus recruitment events, networks and cultivates relationships with prospects and communities in order to recruit exceptional leaders. The organization then processes applications and conducts interviews to select corps members, placing them in various urban and rural regions throughout the United States. Corps members are supported financially, and engage in intensive virtual, hybrid, and in-person training where they have the opportunity to understand their role and work, build community with one another, learn practical skills, and apply their learning in preparation for their first day of school. Corps members are then supported throughout a two-year classroom experience with additional coaching and instructional supports as well as leadership and/or educator professional development.

Alumni - TFA has an alumni base of former corps members all over the world. This network is instrumental in driving real change and impact in education. TFA engages in activities that support and encourage alumni to continue work in education and across sectors by connecting them with various career and partnership opportunities, as well as resources, programs, and events. 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.

Systems Change – TFA recognizes that significant progress in education can only be achieved with extraordinary actions and partnerships within the communities in which we work. Creating system change is about researching new opportunities - working alongside a coalition of alumni, students, and community leaders and partners to identify patterns and strategies that can lead to system impact and achieve our goals. Investing in work that allows learning of new capabilities and experimentation with innovative practices to bring forth a reinvention of the existing school models. This is a new program for TFA in FY23.

Ignite Fellowship – Ignite fellows are a national tutoring corps designed to accelerate learning and foster belonging with students, leveraging research-based best practices for high-impact tutoring. Ignite builds on Teach For America's over 30 years of experience recruiting, developing, and supporting talent and partnering with communities across the country to help students overcome the systemic barriers to an excellent education. The Ignite Fellowship brings exceptional, equity-minded leaders into classrooms virtually to add immediate value for students, while creating shifts towards the future of equitable learning.

Restructuring expenses: During the year ended May 31, 2023 TFA incurred one-time severance and related expenses of approximately \$10,150,000 in connection with a TFA-wide strategic reorganization which is included on the statements of activities as restructuring expenses.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Recently Adopted Accounting Pronouncements:

Effective June 1, 2022, TFA adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-02, Leases (“Topic 842”), using the modified retrospective transition method. Financial results reported in periods prior to fiscal year 2023 are unchanged. Topic 842 requires lessees to recognize a lease liability and a right-of-use (ROU) asset on the balance sheet for most operating leases, except for those leases with an original term of 12 months or less. Accounting for finance leases is substantially unchanged. TFA also elected the package of transition practical expedients, which among other things, does not require reassessment of lease classification.

The adoption of the New Lease Standard had a significant impact on TFA's statement of financial position due to the recognition of approximately \$63,700,000 of lease liabilities with corresponding right-of-use assets of \$55,400,000 for operating leases as of June 1, 2022. Adoption of this standard did not have a material impact on TFA's results of operations or cash flows.

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard is to be applied retrospectively to annual reporting periods beginning after June 15, 2021. TFA adopted the standard for the year ending May 31, 2023. There were not material impacts to the financial statements and related disclosures as a result of adopting this standard.

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.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. The reclassifications have no effect on changes in net assets.

NOTE 3 - INVESTMENTS, AT FAIR VALUE

A summary of investments at May 31, 2023 and 2022, follows:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 881,981	\$ 3,253,792
Equities	353,917,361	390,232,855
Fixed income securities	<u>19,765,302</u>	<u>24,822,366</u>
	<u>\$ 374,564,644</u>	<u>\$ 418,309,013</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, 2023 and 2022.

For the years ended May 31, 2023 and 2022, TFA's investment returns consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 7,219,710	\$ 7,237,098
Appreciation (depreciation) in fair value of investments	(2,922,297)	(31,269,006)
Less: Investment fees	<u>(135,522)</u>	<u>(176,266)</u>
Total investment return	<u>\$ 4,161,891</u>	<u>\$ (24,208,174)</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

A summary of contributions receivable at May 31, 2023 and 2022, follows:

	<u>2023</u>	<u>2022</u>
Due in:		
Less than one year	\$ 19,023,635	\$ 22,817,934
One to five years	<u>11,845,735</u>	<u>7,584,122</u>
	30,869,370	30,402,056
Less: Discount to present value ranging from 1.99% to 2.04% and 1.32% to 1.71% at May 31, 2023 and 2022, respectively	(231,604)	(107,862)
Allowance for doubtful accounts	<u>(550,000)</u>	<u>(734,843)</u>
Contributions receivable, net	<u>\$ 30,087,766</u>	<u>\$ 29,559,351</u>

During the years ended May 31, 2023 and 2022, approximately \$416,000 and \$175,000 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 \$19,800,000 and \$15,300,000 for the years ended May 31, 2023 and 2022, respectively.

For the years ended May 31, 2023 and 2022, TFA received new contributions, mostly in cash, from members of its National Board of Directors totaling approximately \$9,292,000 and \$24,691,000, respectively, which represented 4.95% and 13.8% of total contributions, respectively.

NOTE 5 - FIXED ASSETS, NET

A summary of fixed assets follows:

	<u>2023</u>	<u>2022</u>
Building	\$ 536,252	\$ 536,252
Vehicles	61,204	78,257
Computer equipment and software	31,743,443	30,027,990
Furniture, fixtures and office equipment	5,903,841	6,738,722
Leasehold improvements	<u>15,786,646</u>	<u>18,880,403</u>
Subtotal	54,031,386	56,261,624
Less: accumulated depreciation	<u>(40,524,419)</u>	<u>(42,316,593)</u>
Fixed assets, net	<u>\$ 13,506,967</u>	<u>\$ 13,945,031</u>

Depreciation and amortization expense related to fixed assets totaled approximately \$4,127,000 and \$4,817,000 for the years ended May 31, 2023 and 2022, respectively.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 5 - FIXED ASSETS, NET (Continued)

During the years ended May 31, 2023 and 2022, TFA disposed of approximately \$5,878,000 and \$2,273,000 of fixed assets that resulted in losses of approximately \$64,500 and \$128,000, respectively. The majority of these disposals represented fixed assets that were fully depreciated.

NOTE 6 - LINE OF CREDIT

TFA has a \$35,000,000 line of credit agreement with Bank of America with interest at market index BSBY 1M plus 0.8% as of May 31, 2023, secured by investments held in a collateral account. The line of credit agreement expires March 26, 2024. The effective interest rate was 5.91% at May 31, 2023. TFA drew down on its line of credit during both 2023 and 2022; however, at both May 31, 2023 and 2022, there were no amounts outstanding. As of May 31, 2023 TFA reported compliance with its covenants.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Cumulative endowment earnings	\$ 96,976,950	\$ 104,836,158
Teacher recruitment and selection, placement, professional development, expansion, and other	21,195,856	16,563,368
Time restrictions on contributions	<u>30,541,182</u>	<u>21,949,214</u>
	148,713,988	143,348,740
 Donor restricted endowment fund held in perpetuity	 <u>117,511,874</u>	 <u>117,511,874</u>
 Total net assets with donor restrictions	 <u><u>\$ 266,225,862</u></u>	 <u><u>\$ 260,860,614</u></u>

Net assets released from restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Expiration of time restrictions on contributions	\$ 16,681,302	\$ 18,809,440
Teacher recruitment and selection, placement, professional development, expansion, and other	<u>14,449,049</u>	<u>21,625,208</u>
	<u><u>\$ 31,130,351</u></u>	<u><u>\$ 40,434,648</u></u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 8 - 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.

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:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 108,118,783	\$ -	\$ 108,118,783
Donor-restricted endowment funds	-	214,488,824	214,488,824
Total	<u>\$ 108,118,783</u>	<u>\$ 214,488,824</u>	<u>\$ 322,607,607</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 124,941,950	\$ -	\$ 124,941,950
Donor-restricted endowment funds	-	222,348,032	222,348,032
Total	<u>\$ 124,941,950</u>	<u>\$ 222,348,032</u>	<u>\$ 347,289,982</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 8 - ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets during the years ended May 31, 2023 and 2022, consisted of the following:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 124,941,950	\$ 222,348,032	\$ 347,289,982
Contribution	-	-	-
Investment return:			
Investment income, net of fees	2,317,058	3,925,022	6,242,080
Net (depreciation) appreciation (realized and unrealized)	(1,369,820)	(784,168)	(2,153,988)
Total investment return, net of fees	947,238	3,140,854	4,088,092
Reclassification of assets	11,000,062	(11,000,062)	-
Distribution	(28,770,462)	-	(28,770,462)
Endowment net assets, end of year	<u>\$ 108,118,788</u>	<u>\$ 214,488,824</u>	<u>\$ 322,607,612</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
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	3,940,517	6,156,731
Net (depreciation) appreciation (realized and unrealized)	(9,740,116)	(17,067,537)	(26,807,653)
Total investment return, net of fees	(7,523,902)	(13,127,020)	(20,650,922)
Reclassification of assets	9,951,089	(9,951,089)	-
Distribution	(2,344,859)	-	(2,344,859)
Endowment net assets, end of year	<u>\$ 124,941,950</u>	<u>\$ 222,348,032</u>	<u>\$ 347,289,982</u>

At May 31, 2023 and 2022, investments related to donor-restricted endowments had provided cumulative investment returns totaling approximately \$194,970,000 and \$191,830,000, respectively, to support general operating purposes, as per donor intent. See Spending Policy below for information on reclassification.

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, 2023 and 2022.

(Continued)

NOTE 8 - ENDOWMENT NET ASSETS (Continued)

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, 2023 and 2022, there were approximately \$28,770,000 and \$2,345,000 distributions from TFA's endowments, respectively. The distribution of \$28,770,000 for the year ended May 31, 2023 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, 2023 and 2022, the Board approved a transfer of cumulative spending reserves on the endowment to a separate quasi endowment account in the amount of approximately \$11,000,000 and \$9,951,000, 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)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 9 - EDUCATION AWARDS DUE TO CORPS MEMBERS

TFA granted education awards (the “awards”) for eligible corps members who successfully completed the 2021-2022 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, 2023 and 2022, 65 corps members in their 1st and 2nd school years were granted \$6,495 that could be applied to pay student loans or educational expenses.

For both years ended May 31, 2023 and 2022, approximately \$1,305,000 and \$1,310,000 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 8 years post completion of the corps members’ service and are payable through May 31, 2031, at which time these awards expire.

NOTE 10 - 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 \$6,002,000 and \$5,512,000 for the years ended May 31, 2023 and 2022, 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, 2023 and 2022, employer contributions to this plan were approximately \$13,600, and \$14,254, respectively.

NOTE 11 – LEASES

As described in Note 2, TFA leases certain real estate properties. TFA has entered into approximately 40 operating lease agreements for its National and regional offices, expiring at various dates through January 2032.

A summary of amounts reported within the statement of financial position is as follows:

	<u>May 31, 2023</u>
Assets	
Operating lease ROU assets	\$ 48,670,352
Total lease assets	<u>\$ 48,670,352</u>
Liabilities	
Current operating	\$ 7,503,865
Non-current operating	<u>49,078,106</u>
Total lease liabilities	<u>\$ 56,581,971</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 11 – LEASES (Continued)

Weighted-average remaining lease term (years)	
Operating leases	7.97
Weighted-average discount rate	
Operating leases	2.9%

TFA's lease agreements do not provide an implicit rate, as such TFA elected to use the risk-free rate based on the information available at the adoption date in determining the present value of lease payments.

Fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. ROU assets are periodically evaluated for impairment. The components of lease cost were as follows for the year ended May 31, 2023:

Operating lease cost	\$ 10,683,158
Short-term lease cost	392,407
Variable lease cost	1,772,936
Sublease income	<u>(3,046,175)</u>
Total lease cost	<u>\$ 9,802,326</u>

Cash paid for operating leases was \$9,539,236 for the year ending May 31, 2023. During the year, TFA obtained ROU assets valued at \$828,989 in exchange for new operating lease liabilities.

Maturities of lease liabilities were as follows as of May 31, 2023:

<u>Year ending May 31,</u>	<u>Operating</u>
2024	\$ 9,088,089
2025	8,099,085
2026	7,660,546
2027	6,834,416
2028	6,651,799
Thereafter	<u>25,499,522</u>
Total lease payments	63,833,457
Less: Imputed interest	<u>7,251,486</u>
Present value of lease liabilities	56,581,971
Less: Current lease liabilities	<u>7,503,865</u>
Long-term lease liabilities	<u>\$ 49,078,106</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 11 – LEASES (Continued)

A summary of future minimum lease payments under all non-cancelable operating leases as of May 31, 2022, follows:

<u>Year ending May 31,</u>	<u>Office Space</u>	<u>Equipment</u>
2023	\$ 11,416,922	\$ 373
2024	8,560,518	-
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>\$ 373</u>

Total rent expense approximated \$14,200,000 for the year ended May 31, 2022.

In addition to the above, TFA entered into 17 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 \$2,115,000, \$1,304,000, \$1,405,000, \$1,405,000, and \$1,405,000 for the next five years, respectively and \$5,900,000 thereafter through January 2033. Rental income totaled approximately \$3,046,000 and \$3,570,000 for the years ended May 31, 2023 and 2022, respectively, and is included within other revenue in the accompanying statements of activities.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2023 and 2022

NOTE 12 - 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, 2023 and 2022 comprise of:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash	\$ 42,804,493	\$ 21,570,587
Restricted cash	-	2,018,567
Grants and contracts receivable	5,836,786	4,152,158
Fee for service receivable, net	702,449	819,599
Contributions receivable, net	30,087,766	29,559,351
Loans receivable from corp members, net	699,632	203,026
Investments	<u>374,564,644</u>	<u>418,309,013</u>
Total financial assets	<u>454,695,770</u>	<u>476,632,301</u>
Less amounts not available for general expenditure within one year:		
Restricted cash	-	(2,018,567)
Contributions receivable, net due greater than one year	(11,064,131)	(6,741,417)
Loans receivable from corp members, due greater than one year	(176,151)	(87,257)
Donor restricted endowment funds net of estimated draw within one year	(202,952,489)	(211,555,032)
Board-Designated endowment funds	(108,118,783)	(125,146,501)
Donor restricted funds net of estimated draw within one year	<u>(18,749,161)</u>	<u>(9,696,175)</u>
Financial assets not available to be used within one year	<u>\$ (341,060,715)</u>	<u>\$ (355,244,949)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 113,635,055</u>	<u>\$ 121,387,352</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. TFA's donor endowment of approximately \$214,489,000 is subject to an annual spending rate as described in Note 8.

(Continued)

NOTE 12 - LIQUIDITY AND AVAILABILITY (Continued)

Although TFA does not plan to spend from its board-designated endowment of approximately \$108,550,000 (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 13 - 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 17, 2023, the date these financial statements were available to be issued.