

TEACH FOR AMERICA, INC.

FINANCIAL STATEMENTS

May 31, 2021 and 2020

TEACH FOR AMERICA, INC.
New York, New York

FINANCIAL STATEMENTS
May 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Teach For America, Inc. ("TFA" or the "Organization"), which comprise the statements of financial position as of May 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teach For America, Inc. as of May 31, 2021 and 2020, 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

New York, New York
November 5, 2021

TEACH FOR AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 55,023,239	\$ 31,414,129
Restricted cash (Note 2)	2,015,340	2,012,334
Grants and contracts receivable	3,957,910	8,119,862
Fee for service receivable, net (Note 2)	589,049	494,847
Prepaid expenses and other assets	6,689,682	8,957,908
Contributions receivable, net (Note 4)	30,930,592	41,956,484
Loans receivable from corps members, net (Note 5)	2,481,005	3,068,200
Investments, at fair value (Note 3)	462,220,239	341,685,064
Fixed assets, net (Note 6)	<u>16,604,118</u>	<u>18,438,950</u>
Total assets	<u>\$ 580,511,174</u>	<u>\$ 456,147,778</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 41,404,189	\$ 35,588,493
Deferred rent payable (Note 12)	9,597,871	10,816,569
Deferred revenue (Note 2)	3,280,121	3,124,316
Other liabilities	<u>92,616</u>	<u>320,904</u>
Total liabilities	<u>54,374,797</u>	<u>49,850,282</u>
Commitment and Contingencies (Notes 7 and 12)		
Net Assets		
Without Donor Restriction	228,623,977	169,139,129
With Donor Restriction (Note 8 and 9)	<u>297,512,400</u>	<u>237,158,367</u>
Total net assets	<u>526,136,377</u>	<u>406,297,496</u>
Total liabilities and net assets	<u>\$ 580,511,174</u>	<u>\$ 456,147,778</u>

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2021, with comparative totals for 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2021 Total</u>	<u>2020 Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 128,780,129	\$ 37,340,893	\$ 166,121,022	\$ 185,513,762
Grants and contracts	46,286,184	-	46,286,184	47,679,896
Fee for service	21,656,700	-	21,656,700	23,072,372
Special events, including related contributions (Note 2)	11,863,378	315,000	12,178,378	10,212,795
Interest and dividend income (Note 3)	2,920,207	3,412,371	6,332,578	7,084,602
Net appreciation in fair value of investments (Note 3)	52,897,736	71,605,299	124,503,035	21,214,588
Other revenue	4,968,838	1,441	4,970,279	3,415,327
Reclassification of assets (Note 9)	10,592,411	(10,592,411)	-	-
Net assets released from restrictions (Note 8)	41,728,560	(41,728,560)	-	-
Total revenues, gains and other support	<u>321,694,143</u>	<u>60,354,033</u>	<u>382,048,176</u>	<u>298,193,342</u>
OPERATING EXPENSES				
Program services				
Corps member recruitment, selection and placement	49,278,207	-	49,278,207	54,639,363
Pre-service institute	22,602,790	-	22,602,790	34,209,522
Corps member professional development and other	92,487,794	-	92,487,794	97,414,494
Alumni affairs	27,721,210	-	27,721,210	31,178,024
Total program services	<u>192,090,001</u>	<u>-</u>	<u>192,090,001</u>	<u>217,441,403</u>
Supporting services				
Management and general	43,010,905	-	43,010,905	44,655,787
Fundraising	27,108,389	-	27,108,389	29,919,357
Total supporting services	<u>70,119,294</u>	<u>-</u>	<u>70,119,294</u>	<u>74,575,144</u>
Total operating expenses	<u>262,209,295</u>	<u>-</u>	<u>262,209,295</u>	<u>292,016,547</u>
Change in net assets	<u>59,484,848</u>	<u>60,354,033</u>	<u>119,838,881</u>	<u>6,176,795</u>
Net assets, beginning of year	<u>169,139,129</u>	<u>237,158,367</u>	<u>406,297,496</u>	<u>400,120,701</u>
Net assets, end of year	<u>\$ 228,623,977</u>	<u>\$ 297,512,400</u>	<u>\$ 526,136,377</u>	<u>\$ 406,297,496</u>

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2020

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	2020 <u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions (Note 2 and 4)	\$ 148,541,474	\$ 36,972,288	\$ 185,513,762
Grants and contracts (Note 2)	47,679,896	-	47,679,896
Fee for service	23,072,372	-	23,072,372
Special events, including related contributions (Note 2)	9,259,025	953,770	10,212,795
Interest and dividend income (Note 3)	3,373,561	3,711,041	7,084,602
Net appreciation in fair value of investments (Note 2 and 3)	10,358,511	10,856,077	21,214,588
Other revenue	3,412,352	2,975	3,415,327
Reclassification of assets (Note 9)	10,653,853	(10,653,853)	-
Net assets released from restrictions (Note 8)	32,374,532	(32,374,532)	-
Total revenues, gains and other support	<u>288,725,576</u>	<u>9,467,766</u>	<u>298,193,342</u>
OPERATING EXPENSES			
Program services			
Corps member recruitment, selection and placement	54,639,363	-	54,639,363
Pre-service institute	34,209,522	-	34,209,522
Corps member professional development and other	97,414,494	-	97,414,494
Alumni affairs	31,178,024	-	31,178,024
Total program services	<u>217,441,403</u>	<u>-</u>	<u>217,441,403</u>
Supporting services			
Management and general	44,655,787	-	44,655,787
Fundraising	29,919,357	-	29,919,357
Total supporting services	<u>74,575,144</u>	<u>-</u>	<u>74,575,144</u>
Total operating expenses	<u>292,016,547</u>	<u>-</u>	<u>292,016,547</u>
Change in net assets	<u>(3,290,971)</u>	<u>9,467,766</u>	<u>6,176,795</u>
Net assets, beginning of year	<u>172,430,100</u>	<u>227,690,601</u>	<u>400,120,701</u>
Net assets, end of year	<u>\$ 169,139,129</u>	<u>\$ 237,158,367</u>	<u>\$ 406,297,496</u>

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 <u>Placement</u>	Pre-Service <u>Institute</u>	Corps Member Professional Development and <u>Other</u>	Alumni <u>Affairs</u>	Total Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	Total Supporting <u>Services</u>	<u>Total</u>
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.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2020

	Program Services					Supporting Services			
	Corps Member Recruitment, Selection and <u>Placement</u>	Pre-Service <u>Institute</u>	Corps Member Professional Development and <u>Other</u>	Alumni <u>Affairs</u>	Total Program <u>Services</u>	Management and General	Fundraising	Total Supporting Services	Total
Expenses:									
Personnel expenses	\$ 37,170,548	\$ 19,714,012	\$ 69,457,277	\$ 18,123,684	\$ 144,465,521	\$ 29,401,151	\$ 24,498,554	\$ 53,899,705	\$ 198,365,226
Professional services	1,624,838	875,716	3,867,590	1,522,782	7,890,926	4,172,472	1,428,511	5,600,983	13,491,909
Travel, meetings and subsistence	3,268,301	10,882,468	5,116,215	2,361,247	21,628,231	1,125,788	1,063,040	2,188,828	23,817,059
Corps member support	4,137,043	483,373	2,095,744	1,883,826	8,599,986	14,669	59,081	73,750	8,673,736
Postage and delivery	82,629	20,640	123,887	125,071	352,227	50,326	41,682	92,008	444,235
Telecommunications	310,717	61,210	1,124,778	71,298	1,568,003	232,749	73,640	306,389	1,874,392
Equipment and supplies	1,140,706	926,790	1,904,779	406,831	4,379,106	3,395,922	319,041	3,714,963	8,094,069
Special events	-	-	-	-	-	-	640,172	640,172	640,172
Subscriptions and dues	178,624	95,189	203,876	95,531	573,220	357,158	144,705	501,863	1,075,083
Grants	2,362	2,348	152,660	4,946,527	5,103,897	1,172	3,497	4,669	5,108,566
Printing, advertising and media	2,905,012	166,963	271,550	492,545	3,836,070	186,440	446,942	633,382	4,469,452
Occupancy	2,438,121	685,531	10,878,475	779,638	14,781,765	2,579,999	768,612	3,348,611	18,130,376
Bad debt expense	577,728	1,758	-	-	579,486	144,974	-	144,974	724,460
Other	46,462	120,042	283,382	117,011	566,897	39,521	55,912	95,433	662,330
Interest, insurance, and fees	96,630	54,423	288,200	41,884	481,137	574,819	223,287	798,106	1,279,243
Depreciation and amortization	659,642	119,059	1,646,081	210,149	2,634,931	2,378,627	152,681	2,531,308	5,166,239
Total	\$ 54,639,363	\$ 34,209,522	\$ 97,414,494	\$ 31,178,024	\$ 217,441,403	\$ 44,655,787	\$ 29,919,357	\$ 74,575,144	\$ 292,016,547

See accompanying notes to financial statements.

TEACH FOR AMERICA, INC.
STATEMENTS OF CASH FLOWS
For the years ended May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 119,838,881	\$ 6,176,795
Adjustment to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,238,275	5,166,239
Bad debt expense	397,273	724,460
Change in allowances for doubtful contributions, fee for service and loans receivable	(190,400)	(168,564)
Net appreciation in fair value of investments	(124,503,035)	(21,214,588)
Losses on disposal of fixed assets	380,356	149,449
Contributed investment securities	(9,326,219)	(10,093,094)
Change in present value discount of contributions receivable	(128,480)	(82,873)
Changes in operating assets and liabilities:		
Contributions receivable	11,344,772	(1,542,606)
Grants and contracts receivable	4,161,952	(3,199,320)
Fee for service receivable	(94,202)	34,298
Prepaid expense and other assets	2,225,962	(515,030)
Accounts payable and accrued expenses	5,815,696	(1,722,460)
Deferred rent payable	(1,218,698)	135,413
Deferred revenue	155,805	(8,605,083)
Other liabilities	(234,160)	8,722
Net cash provided by (used in) operating activities	<u>13,863,778</u>	<u>(34,748,243)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	19,623,651	56,744,325
Purchase of investments	(6,332,578)	(7,104,602)
Purchase of fixed assets	(3,786,591)	(5,490,155)
Loans to corps members	(2,982,734)	(2,704,098)
Repayments of loans from corps members	3,214,920	3,366,816
Net cash provided by investing activities	<u>9,736,668</u>	<u>44,812,286</u>
Cash flows from financing activities		
Standby letter of credit reserve against office space lease	3,006	-
Payments on capital lease obligation	8,664	(15,266)
Net cash provided by (used in) financing activities	<u>11,670</u>	<u>(15,266)</u>
Net increase in cash and cash equivalents and restricted cash	23,612,116	10,048,777
Cash and cash equivalents and restricted cash, beginning of year	<u>33,426,463</u>	<u>23,377,685</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 57,038,579</u>	<u>\$ 33,426,463</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 340,377</u>	<u>\$ 357,302</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital lease obligations	<u>\$ 2,793</u>	<u>\$ 20,346</u>

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 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, 2021 and 2020, the total amount of Board-designated net assets without donor restrictions authorized to function as endowments were approximately \$124,860,000, and \$78,070,000, 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 \$3,006 of interest for the period ended May 31, 2021.

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, 2021 and 2020.

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)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

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 2021 or 2020.

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 2021 or 2020.

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 \$5,000 and \$10,000 for the years ended May 31, 2021 and 2020, respectively.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

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 \$12,170,000 and \$10,009,700 for the years ending May 31, 2021 and 2020, respectively.

Advertising Expenses: TFA expenses advertising costs as they are incurred. Advertising expenses amounted to approximately \$1,525,000 and \$4,469,000 for the years ended May 31, 2021 and 2020, 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 2020, approximately 3,200 corps members were trained in a 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.

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)

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.

Recently Adopted Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. TFA has adopted this guidance utilizing the modified retrospective approach for the year ended May 31, 2021. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

New Accounting Pronouncements Not Yet Effective: In February 2016, the FASB issued ASU 2016-02, "Leases." This ASU will require lessees to recognize almost all leases on the statement of financial position as a right-of-use asset and a lease liability. For statement of activities purposes, the FASB retained a dual model, requiring leases to be classified as finance leases or operating leases. This update is effective for the fiscal year beginning June 1, 2022, with early adoption permitted. TFA is currently assessing the effect that adoption of the new standard will have on its financial statements, however the ASU is expected to have a significant impact on TFA.

Coronavirus Implications: In December 2019, a novel strain of coronavirus surfaced and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In response to the pandemic and in compliance with various state and local ordinances, TFA has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for its people. During fiscal year ending May 31, 2021, the negative impact on TFA's operations and financial results has not been significant. Management moved the operations to become fully remote, including the summer training of our corps members and eliminated all travel. TFA experienced an impact in its overall contributions at year-end due to special events either virtual and/or cancelled but was able to renew its seasonal line of credit in March.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The future operations and business results of TFA could be materially adversely affected by ongoing national, state and local actions taken in an effort to contain that coronavirus. TFA will continue to follow the various government policies and advice and, in parallel, will do the utmost to continue our operations in the best and safest way possible without jeopardizing the health of students, corps members and staff. Significant estimates as disclosed in Note 2, such as fair values of investments and the allowance for doubtful accounts, may be materially impacted.

NOTE 3 - INVESTMENTS, AT FAIR VALUE

A summary of investments at May 31, 2021 and 2020, follows:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 1,497,835	\$ 1,931,312
Equities	427,504,328	310,661,126
Fixed income securities	<u>33,218,076</u>	<u>29,092,626</u>
	<u>\$ 462,220,239</u>	<u>\$ 341,685,064</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, 2021 and 2020.

For the years ended May 31, 2021 and 2020, TFA's investment returns consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 6,332,578	\$ 7,084,602
Appreciation (depreciation) in fair value of investments	124,664,014	21,349,247
Less: Investment fees	<u>(160,979)</u>	<u>(134,659)</u>
Total investment return	<u>\$ 130,835,613</u>	<u>\$ 28,299,190</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

A summary of contributions receivable at May 31, 2021 and 2020, follows:

	<u>2021</u>	<u>2020</u>
Due in:		
Less than one year	\$ 21,479,668	\$ 27,517,458
One to five years	<u>10,687,166</u>	<u>15,994,148</u>
	32,166,834	43,511,606
Less: Discount to present value ranging from 1.17% to 1.49% and 1.12% to 1.59% at May 31, 2021 and 2020, respectively	(326,642)	(455,122)
Allowance for doubtful accounts	<u>(909,600)</u>	<u>(1,100,000)</u>
Contributions receivable, net	<u>\$ 30,930,592</u>	<u>\$ 41,956,484</u>

During the years ended May 31, 2021 and 2020, approximately \$190,000 and \$169,000 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 totaled approximately \$13,300,000 and \$13,200,000 for the years ended May 31, 2021 and 2020, respectively.

For the years ended May 31, 2021 and 2020, TFA received new contributions, mostly in cash, from members of its National Board of Directors totaling approximately \$33,300,000 and \$16,100,000, respectively, which represented 20% and 9% of total contributions, respectively. TFA received approximately \$1,000,000 in payments against prior pledges from these related parties, in both years ended May 31, 2021 and 2020.

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. As of May 31, 2021 and 2020, these loans represented approximately .5% and 1.0% of total assets, respectively.

A summary of corps member loans at May 31, 2021 and 2020, follows:

	<u>2021</u>	<u>2020</u>
Corps Member Transition Loans	\$ 3,114,005	\$ 3,916,200
Less: Allowance for doubtful accounts	<u>(633,000)</u>	<u>(848,000)</u>
	<u>\$ 2,481,005</u>	<u>\$ 3,068,200</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

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>
2021	\$ 287,493	\$ 120,068	\$ 89,613	\$ 497,174
2020	504,682	284,143	92,637	881,462

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 \$585,000 and \$630,000 written off during the years ended May 31, 2021 and 2020, respectively.

NOTE 6 - FIXED ASSETS, NET

A summary of fixed assets follows:

	<u>2021</u>	<u>2020</u>
Building	\$ 536,252	\$ 536,252
Vehicles	81,867	81,867
Computer equipment and software	29,237,444	34,909,602
Furniture, fixtures and office equipment	7,326,166	8,140,149
Leasehold improvements	19,070,889	19,247,883
Subtotal	56,252,618	62,915,753
Less: accumulated depreciation	(39,648,500)	(44,476,803)
Fixed assets, net	<u>\$ 16,604,118</u>	<u>\$ 18,438,950</u>

Depreciation and amortization expense related to fixed assets totaled approximately \$5,238,000 and \$5,166,000 for the years ended May 31, 2021 and 2020, respectively.

During the years ended May 31, 2021 and 2020, TFA disposed of approximately \$10,400,000 and \$9,500,000 of fixed assets that resulted in losses of approximately \$380,000 and \$150,000, respectively. The majority of these disposals represented fixed assets that were fully depreciated.

NOTE 7 - LINE OF CREDIT

TFA had a \$35,000,000 line of credit agreement with Wells Fargo with interest at market index LIBOR at May 31, 2021 and at LIBOR or minimum base of 1.25% at May 31, 2020 plus 1.00% and secured by all cash and cash equivalents and pledged receivables. The line of credit agreement expires March 31, 2022. The effective interest rate was 1% and 2.25% at May 31, 2021 and 2020, respectively. TFA drew down on its line of credit during both 2021 and 2020; however, at both May 31, 2021 and 2020, there were no amounts outstanding. As of May 31, 2021, TFA reported compliance with its covenants.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Cumulative endowment earnings	\$ 127,914,267	\$ 63,489,009
Teacher recruitment and selection, placement, professional development, expansion, and other	25,699,855	23,876,220
Time restrictions on contributions	<u>26,636,404</u>	<u>32,531,264</u>
	180,250,526	119,896,493
Donor restricted endowment fund held in perpetuity	<u>117,261,874</u>	<u>117,261,874</u>
Total net assets with donor restrictions	<u>\$ 297,512,400</u>	<u>\$ 237,158,367</u>

Net assets released from restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions on contributions	\$ 22,240,612	\$ 21,684,765
Teacher recruitment and selection, placement, professional development, expansion, and other	<u>19,487,948</u>	<u>10,689,767</u>
	<u>\$ 41,728,560</u>	<u>\$ 32,374,532</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.

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.

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

NOTE 9 - ENDOWMENT NET ASSETS (Continued)

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:

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 78,069,683	\$ -	\$ 78,069,683
Donor-restricted endowment funds	<u>-</u>	<u>180,750,882</u>	<u>180,750,882</u>
Total	<u>\$ 78,069,683</u>	<u>\$ 180,750,882</u>	<u>\$ 258,820,565</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

NOTE 9 - ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets during the years ended May 31, 2021 and 2020, consisted of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
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)	35,694,242	71,605,299	107,299,541
Total investment return, net of fees	37,438,552	75,017,670	112,456,222
Reclassification of assets	10,410,916	(10,410,916)	-
Distribution	(1,059,529)	(181,495)	(1,241,024)
Endowment net assets, end of year	<u>\$ 124,859,622</u>	<u>\$ 245,176,141</u>	<u>\$ 370,035,763</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 62,045,298	\$ 176,737,619	\$ 238,782,917
Contribution	-	100,000	100,000
Investment return:			
Investment income, net of fees	1,586,512	3,711,041	5,297,553
Net (depreciation) appreciation (realized and unrealized)	4,435,557	10,856,077	15,291,634
Total investment return, net of fees	6,022,069	14,667,118	20,689,187
Reclassification of assets	10,653,853	(10,653,853)	-
Distribution	(651,537)	(2)	(651,539)
Endowment net assets, end of year	<u>\$ 78,069,683</u>	<u>\$ 180,750,882</u>	<u>\$ 258,820,565</u>

At May 31, 2021 and 2020, investments related to donor-restricted endowments had provided cumulative investment returns totaling approximately \$204,956,000 and \$129,939,000, 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, 2021 and 2020.

(Continued)

NOTE 9 - 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, 2021 and 2020, there were approximately \$1,241,000 and \$652,000 distributions from TFA's endowments, respectively. The distribution of \$1,241,000 for the year ended May 31, 2021 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, with the Board of Directors approval, TFA transfers the cumulative spending reserves on the endowment to a separate quasi endowment account. For the years ended May 31, 2021 and 2020, the Board approved a transfer of cumulative spending reserves on the endowment to a separate quasi endowment account in the amount of approximately \$10,410,000 and \$10,654,000, 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, 2021 and 2020

NOTE 10 - EDUCATION AWARDS DUE TO CORPS MEMBERS

TFA granted education awards (the “awards”) for eligible corps members who successfully completed the 2019-2020 and prior school years. The awards were intended to mirror the awards provided by the Corporation of National and Community Service. For both years ended May 31, 2021 and 2020, 85 corps members in their 1st and 2nd school years were granted \$6,195 that could be applied to pay student loans or educational expenses. For both years ended May 31, 2021 and 2020, approximately \$3,200,000 and \$4,800,000 remained to be disbursed, and was 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, 2027, at which time these awards expire. Approximately \$1,300,000 awards from the 2012-2013 school year expired in the fiscal year ended May 31, 2021. There were no expiration of awards in the fiscal year ended May 31, 2020.

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 \$5,536,000 and \$5,400,000 for the years ended May 31, 2021 and 2020, 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, 2021 and 2020, employer contributions to this plan were approximately \$21,900, and \$17,100, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Operating Leases: TFA has entered into approximately 75 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>
2022	\$ 13,644,008	\$ 99,941
2023	11,065,869	4,202
2024	8,001,312	-
2025	7,264,617	-
2026	7,349,123	-
2027	6,702,173	-
Thereafter	32,147,497	-
Total	<u>\$ 86,174,599</u>	<u>\$ 104,143</u>

(Continued)

TEACH FOR AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2021 and 2020

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Total rent expense approximated \$14,900,000 and \$15,100,000 for the years ended May 31, 2021 and 2020, respectively.

In addition to the above, TFA entered into 30 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 \$3,465,000, \$2,366,000, \$1,306,000, \$1,286,000, and \$1,405,000 for the next five years, respectively and \$8,730,000 thereafter through January 2032. Rental income totaled approximately \$3,300,000 and \$2,600,000 for the years ended May 31, 2021 and 2020, 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 \$9,600,000 and \$10,800,000 at May 31, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020 comprise of:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash	\$ 55,023,239	\$ 31,414,129
Restricted cash	2,015,340	2,012,334
Grants and contracts receivable	3,957,910	8,119,862
Fee for service receivable, net	589,049	494,847
Contributions receivable, net	30,930,592	41,956,484
Loans receivable from corp members, net	2,481,005	3,068,200
Investments	<u>462,220,239</u>	<u>341,685,064</u>
Total financial assets	<u><u>\$ 557,217,374</u></u>	<u><u>\$ 428,750,920</u></u>
Less amounts not available for general expenditure within one year:		
Restricted cash	(2,015,340)	(2,012,334)
Contributions receivable, net due greater than one year	(9,450,924)	(14,439,026)
Loans receivable from corp members, due greater than one year	(497,174)	(881,462)
Donor restricted endowment funds net of estimated draw within one year	(235,225,051)	(170,134,529)
Board-Designated endowment funds	(124,859,622)	(78,069,683)
Donor restricted funds net of estimated draw within one year	<u>(15,661,622)</u>	<u>(21,000,418)</u>
Financial assets not available to be used within one year	<u><u>\$ (387,709,733)</u></u>	<u><u>\$ (286,537,452)</u></u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 169,507,641</u></u>	<u><u>\$ 142,213,468</u></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 \$245,176,000 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 \$124,859,000 (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 5, 2021, the date these financial statements were available to be issued.