Financial Statements and
Supplementary Information Together with
Report of Independent Certified Public Accountants

TEACH FOR AMERICA

As of and for the years ended May 31, 2018 and 2017

TEACH FOR AMERICA

TABLE OF CONTENTS

	Page(s)
Report of Independent Certified Public Accountants	1 - 2
Financial Statements:	
Statements of Financial Position as of May 31, 2018 and 2017	3
Statement of Activities for the year ended May 31, 2018, with comparative totals for 2017	4
Statement of Activities for the year ended May 31, 2017	5
Statement of Functional Expenses for the year ended May 31, 2018	6
Statement of Functional Expenses for the year ended May 31, 2017	7
Statements of Cash Flows for the years ended May 31, 2018 and 2017	8
Notes to Financial Statements	9 - 24

Grant Thornton LLP
757 Third Avenue, 9th Floor
New York, NY 10017

T 212.599.0100
F 212.370.4520
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of Teach For America, Inc. ("TFA"), which comprise the statements of financial position as of May 31, 2018 and 2017, 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 TFA'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 TFA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TFA as of May 31, 2018 and 2017, 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.

Grant Thornton LLP

New York, New York
November 26, 2018

TEACH FOR AMERICA
Statements of Financial Position
As of May 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	$ 33,148,929	$ 23,968,136
Restricted cash (Note 2)	2,012,334	2,012,334
Grants and contracts receivable	4,323,728	6,979,601
Fee for service receivable, net (Note 2)	409,759	350,305
Prepaid expenses and other assets	6,572,161	9,566,894
Contributions receivable, net (Note 4)	31,771,164	29,329,812
Loans receivable from corps members, net (Note 5)	3,633,034	4,979,863
Investments, at fair value (Note 3)	335,961,692	320,297,666
Fixed assets, net (Note 6)	18,916,627	22,565,801
Total assets	$ 436,749,428	$ 420,050,412
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 40,100,565	$ 35,551,559
Deferred rent payable (Note 13)	10,161,733	8,641,066
Deferred revenue	19,170,635	15,547,066
Other liabilities	592,365	670,402
Total liabilities	70,025,298	60,410,093
COMMITMENT AND CONTINGENCIES (Notes 7 and 13)		
NET ASSETS		
Unrestricted (Note 9)	102,551,845	126,787,463
Temporarily restricted (Notes 8 and 9)	147,010,411	115,690,982
Permanently restricted (Note 9)	117,161,874	117,161,874
Total net assets	366,724,130	359,640,319
Total liabilities and net assets	$ 436,749,428	$ 420,050,412

The accompanying notes are an integral part of these financial statements.

TEACH FOR AMERICA
Statement of Activities
For the year ended May 31, 2018, with comparative totals for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
REVENUES, GAINS, AND OTHER SUPPORT					
Contributions (Note 4)	$ 101,314,986	$ 29,557,578	$ -	$ 130,872,564	$ 133,723,176
Grants and contracts	93,051,414	-	-	93,051,414	95,313,169
Fee for service	23,415,992	-	-	23,415,992	23,413,038
Special events, net (Note 2)	10,673,016	200,000	-	10,873,016	14,918,203
Interest and dividend income, net of fees (Note 3)	1,308,498	4,338,519	-	5,647,017	4,772,826
Net appreciation in fair value of investments (Notes 2 and 3)	4,561,293	24,130,253	-	28,691,546	32,088,473
Other revenue	2,376,174	-	-	2,376,174	1,641,274
Net assets released from restrictions (Note 8)	26,906,921	(26,906,921)	-	-	-
Total revenues, gains and other support	263,608,294	31,319,429	-	294,927,723	305,870,159
OPERATING EXPENSES					
Program services					
Corps member recruitment, selection and placement	55,975,526	-	-	55,975,526	49,766,278
Pre-service institute	37,673,071	-	-	37,673,071	34,354,497
Corps member professional development and other	100,678,012	-	-	100,678,012	116,926,634
Alumni affairs	36,357,873	-	-	36,357,873	29,417,787
Total program services	230,684,482	-	-	230,684,482	230,465,196
Supporting services					
Management and general	27,449,522	-	-	27,449,522	32,933,323
Fundraising	29,709,908	-	-	29,709,908	25,993,415
Total supporting services	57,159,430	-	-	57,159,430	58,926,738
Total operating expenses	287,843,912	-	-	287,843,912	289,391,934
Change in net assets	(24,235,618)	31,319,429	-	7,083,811	16,478,225
Net assets, beginning of year	126,787,463	115,690,982	117,161,874	359,640,319	343,162,094
Net assets, end of year	$ 102,551,845	$ 147,010,411	$ 117,161,874	$ 366,724,130	$ 359,640,319

The accompanying notes are an integral part of this financial statement.

TEACH FOR AMERICA
Statement of Activities
For the year ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions (Note 4)	$ 121,015,061	$ 12,708,115	$ -	$ 133,723,176
Grants and contracts	95,313,169	-	-	95,313,169
Fee for service	23,413,038	-	-	23,413,038
Special events, net (Note 2)	14,918,203	-	-	14,918,203
Interest and dividend income, net of fees (Note 3)	904,070	3,868,756	-	4,772,826
Net appreciation in fair value of investments (Notes 2 and 3)	5,565,845	26,522,628	-	32,088,473
Other revenue	1,641,274	-	-	1,641,274
Net assets released from restrictions (Note 8)	34,382,563	(34,382,563)	-	-
Total revenues, gains and other support	297,153,223	8,716,936	-	305,870,159
OPERATING EXPENSES				
Program services				
Corps member recruitment, selection and placement	49,766,278	-	-	49,766,278
Pre-service institute	34,354,497	-	-	34,354,497
Corps member professional development and other	116,926,634	-	-	116,926,634
Alumni affairs	29,417,787	-	-	29,417,787
Total program services	230,465,196	-	-	230,465,196
Supporting services				
Management and general	32,933,323	-	-	32,933,323
Fundraising	25,993,415	-	-	25,993,415
Total supporting services	58,926,738	-	-	58,926,738
Total operating expenses	289,391,934	-	-	289,391,934
Change in net assets	7,761,289	8,716,936	-	16,478,225
Net assets, beginning of year	119,026,174	106,974,046	117,161,874	343,162,094
Net assets, end of year	$ 126,787,463	$ 115,690,982	$ 117,161,874	$ 359,640,319

The accompanying notes are an integral part of this financial statement.

TEACH FOR AMERICA
Statement of Functional Expenses
For the year ended May 31, 2018

	Program Services					Supporting Services			
	Corps Member Recruitment, Selection, and Placement	Pre-Service Institute	Corps Member Professional Development, and Other	Alumni Affairs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:									
Personnel expenses	$ 39,517,133	$ 21,815,488	$ 69,144,200	$ 22,087,908	$ 152,564,729	$ 13,681,112	$ 24,808,428	$ 38,489,540	$ 191,054,269
Professional services	917,571	1,256,468	3,924,655	1,075,322	7,174,016	4,660,057	1,116,814	5,776,871	12,950,887
Travel, meetings and subsistence	3,948,826	11,181,638	6,408,719	2,909,522	24,448,705	1,529,072	1,383,083	2,912,155	27,360,860
Corps member/alumni support	4,988,945	303,712	2,717,882	2,198,265	10,208,804	2,549	28,553	31,102	10,239,906
Postage and delivery	110,906	29,698	125,282	121,031	386,917	17,640	50,812	68,452	455,369
Telecommunications	399,247	137,009	1,681,621	114,091	2,331,968	231,821	115,826	347,647	2,679,615
Equipment and supplies	973,540	1,213,696	2,383,355	646,410	5,217,001	2,758,948	431,277	3,190,225	8,407,226
Special events	-	-	35,752	-	35,752	-	5,000	5,000	40,752
Subscriptions and dues	64,538	63,482	278,420	58,330	464,770	57,416	113,054	170,470	635,240
Grants	-	-	-	5,121,578	5,121,578	-	-	-	5,121,578
Printing, advertising and media	251,400	172,655	211,178	304,151	939,384	54,658	243,363	298,021	1,237,405
Occupancy	2,432,308	946,904	10,267,804	746,415	14,393,431	2,053,733	772,991	2,826,724	17,220,155
Bad debt expense	1,073,578	122,240	316,482	156,776	1,669,076	45,496	75,953	121,449	1,790,525
Other	57,280	130,211	269,938	51,844	509,273	29,932	62,883	92,815	602,088
Interest, insurance, and fees	230,101	139,243	643,322	203,918	1,216,584	164,169	264,660	428,829	1,645,413
Depreciation and amortization	1,010,153	160,627	2,269,402	562,312	4,002,494	2,162,919	237,211	2,400,130	6,402,624
Total	$ 55,975,526	$ 37,673,071	$ 100,678,012	$ 36,357,873	$ 230,684,482	$ 27,449,522	$ 29,709,908	$ 57,159,430	$ 287,843,912

The accompanying notes are an integral part of this financial statement.

TEACH FOR AMERICA
Statement of Functional Expenses
For the year ended May 31, 2017

	Program Services					Supporting Services			
	Corps Member Recruitment, Selection, and Placement	Pre-Service Institute	Corps Member Professional Development, and Other	Alumni Affairs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Expenses:									
Personnel expenses	$ 32,918,255	$ 19,175,464	$ 84,501,274	$ 15,370,038	$ 151,965,031	$ 19,166,312	$ 20,689,703	$ 39,856,015	$ 191,821,046
Professional services	881,708	641,947	3,313,306	1,384,910	6,221,871	4,372,211	787,179	5,159,390	11,381,261
Travel, meetings and subsistence	3,195,140	11,046,194	6,478,012	2,671,825	23,391,171	2,045,156	1,326,576	3,371,732	26,762,903
Corps member/alumni support	5,073,184	252,518	1,714,859	778,058	7,818,619	133,366	-	133,366	7,951,985
Postage and delivery	70,041	20,462	143,558	16,862	250,923	22,069	47,797	69,866	320,789
Telecommunications	392,838	148,244	2,267,344	104,105	2,912,531	189,091	110,416	299,507	3,212,038
Equipment and supplies	1,308,828	1,472,516	3,599,602	855,935	7,236,881	812,010	891,066	1,703,076	8,939,957
Special events	11,701	12,374	35,998	19,824	79,897	2,930	61,502	64,432	144,329
Subscriptions and dues	56,567	31,515	415,250	43,680	547,012	78,421	104,623	183,044	730,056
Grants	-	-	-	5,968,209	5,968,209	-	-	-	5,968,209
Printing, advertising and media	452,156	175,660	322,237	470,401	1,420,454	357,403	406,056	763,459	2,183,913
Occupancy	2,230,228	1,055,411	10,207,525	718,114	14,211,278	1,071,373	764,033	1,835,406	16,046,684
Bad debt expense	933,861	3,055	10,125	2,829	949,870	1,265,623	2,070	1,267,693	2,217,563
Other	40,132	79,230	206,169	61,481	387,012	25,006	51,693	76,699	463,711
Interest, insurance, and fees	140,857	90,902	452,653	90,184	774,596	212,686	334,201	546,887	1,321,483
Depreciation and amortization	2,060,782	149,005	3,258,722	861,332	6,329,841	3,179,666	416,500	3,596,166	9,926,007
Total	$ 49,766,278	$ 34,354,497	$ 116,926,634	$ 29,417,787	$ 230,465,196	$ 32,933,323	$ 25,993,415	$ 58,926,738	$ 289,391,934

The accompanying notes are an integral part of this financial statement.

TEACH FOR AMERICA

Statements of Cash Flows

For the years ended May 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 7,083,811	$ 16,478,225
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	6,402,624	9,926,007
Change in allowances for doubtful contributions, fee for service and loans receivable	304,859	(3,551)
Net appreciation in fair value of investments	(28,691,546)	(32,088,473)
Losses on disposal of fixed assets	502,965	82,769
Contributed investment securities	(11,278,511)	(11,044,211)
Change in present value discount of contributions receivable	117,419	(79,599)
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	(2,922,185)	20,858,731
Decrease in grants and contracts receivable	2,655,873	1,469,719
(Increase) decrease in fee for service receivable	(59,454)	268,737
Decrease in prepaid expense and other assets	2,994,733	1,872,356
Increase (decrease) in accounts payable and accrued expenses	4,549,006	(4,421,032)
Increase in deferred rent payable	1,520,667	679,536
Increase in deferred revenue	3,623,569	5,609,280
Decrease in other liabilities	(9,281)	(992,233)
Net cash (used in) provided by operating activities	(13,205,451)	8,616,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	69,953,048	93,240,083
Purchase of investments	(45,647,017)	(103,447,493)
Purchase of fixed assets	(3,232,964)	(3,315,488)
Loans to corps members	(2,667,617)	(4,271,507)
Repayments of loans from corps members	4,073,001	5,271,146
Net cash provided by (used in) investing activities	22,478,451	(12,523,259)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(92,207)	(184,395)
Net cash used in financing activities	(92,207)	(184,395)
Net increase (decrease) in cash and cash equivalents	9,180,793	(4,091,393)
Cash and cash equivalents, beginning of year	23,968,136	28,059,529
Cash and cash equivalents, end of year	$ 33,148,929	$ 23,968,136
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 179,151	$ 171,619
Noncash investing and financing activities:		
Capital lease obligations	$ 23,451	$ 45,645

The accompanying notes are an integral part of these financial statements.

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 unmet needs. To address this, TFA's mission is to find, develop, and support a diverse network of leaders 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.

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 three categories of net assets: unrestricted, temporarily restricted, and permanently restricted, as follows:

Unrestricted 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, 2018 and 2017, the total amount of Board-designated unrestricted net assets authorized to function as endowments were $4,473,128 and $3,924,693, respectively (Note 9).

Temporarily restricted 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 temporarily restricted until appropriated for expenditure by the Board of Directors (Note 9).

Permanently restricted net assets - include gifts and pledges which are required by donor-imposed stipulations to be maintained as funds of a permanent duration (Note 9). The income derived from permanently restricted net assets is available for general or specific operating purposes, as stipulated by the respective donors.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (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.

Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 presentation. Such reclassifications had no impact on total assets, liabilities, revenues, expenses, or changes in net assets as previously presented in the fiscal 2017 financial statements.

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 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.

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, 2018 and 2017.

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).

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 2018 or 2017.

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 2018 or 2017.

Deferred Revenue

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

Revenue Recognition

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 restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 earned, that is, when the school district places a corps member, typically at the start of the school year each fall. At both May 31, 2018 and 2017, fee for service receivables were presented net of an allowance of $20,390.

Special Events Revenue

Revenue and expenses related to special events are recognized upon occurrence of the respective event and are presented net of the cost of direct donor benefits. The associated value of such benefits provided to donors amounted to $1,614,562 and $1,763,826 for the years ended May 31, 2018 and 2017, respectively.

Advertising Expenses

TFA expenses advertising costs as they are incurred. Advertising expenses amounted to $1,237,406 and $2,183,913 for the years ended May 31, 2018 and 2017, 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. The expenses that are allocated include depreciation and occupancy, which are allocated on an FTE and project function basis, as well as salaries & benefits, which are allocated on the basis of estimates of time & 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 day-long interview sessions in multiple sites 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 need 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 Summer 2017, approximately 3,500 corps members were trained at one of our five institute sites run by the national organization: Atlanta (GA), Houston (TX), Philadelphia (PA), Phoenix (AZ), and Tulsa (OK) or at one of our 13 training sites run by regions: Bay Area, Chicago – Northwest Indiana, Dallas – Fort Worth, Delaware, Delta (rural region collective), Eastern North Carolina, Massachusetts, Memphis, Miami - Dade, Milwaukee, Nashville, New York, and St. Louis.

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.

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.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers." The ASU provides updated guidance to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. Contribution revenue is specifically excluded from the scope of this update. This guidance is effective for TFA's fiscal year beginning June 1, 2019 with early application permitted beginning June 1, 2018. TFA is currently assessing the effect that adoption of the new standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases." This ASU will require lessees to recognize almost all leases on the balance sheet as a right-of-use asset and a lease liability. For income statement 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, 2020, with early adoption permitted. TFA is currently assessing the effect that adoption of the new standard will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." This ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in its financial statements and notes about its liquidity, financial performance, and cash flows. This update is effective for the fiscal year beginning June 1, 2018. TFA is currently assessing the effect that adoption of the new standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, "Clarifying the scope and the accounting guidance for contributions received and contributions made." This ASU provides framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, as well as guidance to assist entities in determining whether a contribution is either conditional or unconditional. This update is effective for the fiscal year beginning June 1, 2019, with early adoption permitted. TFA is currently assessing the effect that adoption of the new standard will have on its financial statements.

3. INVESTMENTS, AT FAIR VALUE

A summary of investments at May 31, 2018 and 2017, follows:

	2018	2017
Money market funds	$ 33,894,162	$ 51,292,384
Equities	275,745,881	244,886,744
Fixed income securities	26,321,649	24,118,538
	$ 335,961,692	$ 320,297,666

The investments noted above as equities and fixed income securities are classified as Level 1 investments within the fair value hierarchy as of May 31, 2018 and 2017.

For the years ended May 31, 2018 and 2017, TFA's investment returns consisted of the following:

	2018	2017
Interest and dividends	$ 5,647,017	$ 4,772,826
Appreciation in fair value of investments	28,868,991	32,223,114
Less: Investment fees	(177,445)	(134,641)
Total investment return	$ 34,338,563	$ 36,861,299

4. CONTRIBUTIONS RECEIVABLE, NET

A summary of contributions receivable at May 31, 2018 and 2017, follows:

	2018	2017
Due in:		
One year or less	$ 18,723,426	$ 24,569,399
Two to five years	14,669,398	5,901,240
	33,392,824	30,470,639
Less: Discount to present value ranging from 0.57% to 1.56% and 0.37% to 1.41% at May 31, 2018 and 2017, respectively	(263,246)	(145,827)
Allowance for doubtful accounts	(1,358,414)	(995,000)
Contributions receivable, net	$ 31,771,164	$ 29,329,812

During the years ended May 31, 2018 and 2017, approximately $467,000 and $1,341,000 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 $3.9 million and $6.9 million for the years ended May 31, 2018 and 2017, respectively.

For the years ended May 31, 2018 and 2017, TFA received new contributions, mostly in cash, from members of its National Board of Directors totaling $31.4 million and $33.4 million, respectively, which represented 24% and 25% of total contributions, respectively. TFA received approximately $2.1 million and $2.0 million in payments against prior pledges from these related parties, for the years ended May 31, 2018 and 2017, respectively.

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, 2018 and 2017, these loans represented approximately 1.0% of total assets.

A summary of corps member loans at May 31, 2018 and 2017, follows:

	2018	2017
Corps Member Transition Loans	$ 4,329,929	$ 5,728,871
Corps Member Placement Loans	-	6,442
Less: Allowance for doubtful accounts	(696,895)	(755,450)
	$ 3,633,034	$ 4,979,863

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

May 31,	One Year Past Due	Two Years Past Due	Over Three Years Past Due	Total Past Due
2018	$ 792,238	$ 236,024	$ 56,871	$ 1,085,133
2017	$ 785,197	$ 349,326	$ 89,567	$ 1,224,090

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 $1,019,000 and $858,000 written off during the years ended May 31, 2018 and 2017, respectively.

6. FIXED ASSETS, NET

A summary of fixed assets follows:

	May 31, 2018	May 31, 2017
Building	$ 536,252	$ 536,252
Vehicles	81,867	-
Computer equipment and software	49,085,367	53,343,705
Furniture and fixtures	8,280,487	9,700,528
Leasehold improvements	17,388,009	17,349,782
Subtotal	75,371,982	80,930,267
Less: Accumulated depreciation and amortization	(56,455,355)	(58,364,466)
Fixed assets, net	$ 18,916,627	$ 22,565,801

Depreciation and amortization expense related to fixed assets totaled $6,402,624 and $9,926,007 for the years ended May 31, 2018 and 2017, respectively.

During the years ended May 31, 2018 and 2017, TFA disposed of approximately $8.4 million and $7.2 million of fixed assets that resulted in losses of approximately $503,000 and $83,000, respectively. The majority of these disposals represented fixed assets that were fully depreciated.

7. LINE OF CREDIT

At both May 31, 2018 and 2017, TFA had a $35,000,000 line of credit agreement with Wells Fargo with interest at LIBOR market index plus 1.00% and is secured by all cash and cash equivalents and pledged receivables. The line of credit agreement expires March 31, 2019. The agreement includes the following covenants: (1) a financial covenant that requires a minimum of $50,000,000 in unrestricted Level 1 investments; and (2) clean up provision of 45 consecutive days. The effective interest rate was 2.98% and 2.06% at May 31, 2018 and 2017, respectively. TFA drew down on its line of credit during both 2018 and 2017, however, at both May 31, 2018 and 2017, there were no amounts outstanding and TFA was in compliance with its covenants.

8. TEMPORARILY RESTRICTED NET ASSETS

A summary of TFA's temporarily restricted net assets were as follows:

	May 31,	
	2018	2017
Cumulative unspent returns from donor-restricted endowment	$ 115,034,180	$ 86,565,408
Teacher recruitment and selection, placement, professional development, expansion, and other	3,238,989	1,302,367
Time restrictions	28,737,242	27,823,207
	$ 147,010,411	$ 115,690,982

Net assets released from restrictions consisted of the following:

	May 31,	
	2018	2017
Expiration of time restrictions	$ 19,590,694	$ 28,855,760
Teacher recruitment and selection, placement, professional development, expansion, and other	7,316,227	5,526,803
	$ 26,906,921	$ 34,382,563

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 permanently restricted net assets: (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 that is not classified as permanently restricted is classified as temporarily restricted 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:

	May 31, 2018			
	Unrestricted	**Temporatily Restricted**	**Permanently Restricted**	**Total**
Board-designated endowment funds	$ 4,473,128	$ -	$ -	$ 4,473,128
Donor-restricted endowment funds	-	115,034,180	117,161,874	232,196,054
Total	$ 4,473,128	$ 115,034,180	$ 117,161,874	$ 236,669,182

	May 31, 2017			
	Unrestricted	**Temporatily Restricted**	**Permanently Restricted**	**Total**
Board-designated endowment funds	$ 3,924,693	$ -	$ -	$ 3,924,693
Donor-restricted endowment funds	-	86,565,408	117,161,874	203,727,282
Total	$ 3,924,693	$ 86,565,408	$ 117,161,874	$ 207,651,975

Changes in endowment net assets during the years ended May 31, 2018 and 2017, consisted of the following:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,924,693	$ 86,565,408	$ 117,161,874	$ 207,651,975
Investment return:				
Investment income, net of fees	83,579	4,338,519	-	4,422,098
Net appreciation (realized and unrealized)	464,856	24,130,253	-	24,595,109
Total investment return, net of fees	548,435	28,468,772	-	29,017,207
Endowment net assets, end of year	$ 4,473,128	$ 115,034,180	$ 117,161,874	$ 236,669,182

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,281,148	$ 56,174,024	$ 117,161,874	$ 176,617,046
Investment return:				
Investment income, net of fees	82,056	3,868,756	-	3,950,812
Net appreciation (realized and unrealized)	561,489	26,522,628	-	27,084,117
Total investment return, net of fees	643,545	30,391,384	-	31,034,929
Endowment net assets, end of year	$ 3,924,693	$ 86,565,408	$ 117,161,874	$ 207,651,975

At May 31, 2018 and 2017, investments related to donor-restricted endowments had provided cumulative investment returns totaling $115,034,180 and $86,565,408, respectively, to support general operating purposes, as per donor intent, none of which were appropriated by the Board of Directors for expenditure in in fiscal 2018 and 2017.

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, 2018 and 2017.

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, 2018 and 2017, the Board of Directors of TFA determined that there would be no distributions from its donor-restricted endowments.

In subsequent years, and 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.

10. RELATED PARTY TRANSACTIONS

TFA entered into a Resource Sharing and Expense Reimbursement Agreement with Leadership for Educational Equity ("LEE"), a related party, not controlled by TFA. LEE was created to enable TFA's corps members and alumni to realize high impact careers in public leadership. The agreement states that LEE shall pay TFA for all direct expenses incurred by TFA on LEE's behalf and that LEE shall pay a pro-rata share of TFA's overhead expenses. In addition, LEE agreed to operate and conduct its use of the resources described in the agreement in a manner so as not to interfere with the accomplishment of TFA's tax-exempt purposes and not to jeopardize TFA's compliance with federal and state laws. In addition, TFA has entered into a grant agreement with LEE Foundation, a related party not controlled by TFA. The grant agreement with LEE Foundation is to support its mission of supporting charitable and educational activities to develop policy, advocacy, and organizing leaders and fuel the movement for educational equity. As of May 31, 2018 and 2017, amounts owed to TFA from LEE totaled approximately $617,000 and $1,300,000, respectively, and are included within prepaid expenses and other assets in the accompanying statements of financial position.

TFA also has a Resource Sharing and Expense Reimbursement Agreement with Teach For All, a related party, not controlled by TFA, created to expand educational opportunity in other countries. This agreement also states that Teach For All shall pay TFA for all direct expenses incurred by TFA on Teach For All's behalf and that Teach For All shall pay a pro-rata share of TFA's overhead expenses. As of May 31, 2018 and 2017, the amounts owed to TFA from Teach For All totaled approximately $96,000 and $163,000, respectively, and are included within prepaid expenses and other assets in the accompanying statements of financial position.

During May 31, 2017, TFA also entered into a Resource Sharing and Expense Reimbursement Agreement with Braven, Inc. ("Braven," f/k/a Beyond Z, Inc.), a related party, not controlled by TFA, created to build leadership potential in young people from low-income, underrepresented backgrounds in the United States. Braven shall reimburse TFA for all direct expenses paid on Braven's behalf. During May 31, 2018, TFA ended the Resource Sharing and Expense Reimbursement Agreement with Braven and entered into a Shared Space License Agreement for just the use of short term space. As of May 31, 2018 and 2017, the amounts owed to TFA from Braven totaled approximately $-0- and $5,900, respectively, and are included within prepaid expense and other assets in the accompanying statements of financial position.

TFA also has a Resource Sharing and Expense Reimbursement Agreement with Cambiar, Inc., a related party, not controlled by TFA, to massively scale the number of bold, innovative ideas being generated and successfully implemented by leaders. Cambiar believes that by showing dozens of examples of transformational models, it can then undeniably prove that it is possible for every student to receive a world-class education, and create a significant and enduring impact as these models scale and are replicated. Cambiar shall reimburse TFA for all direct expenses paid on Cambiar's behalf. As of May 31, 2018 and 2017, the amounts owed to TFA from Cambiar totaled $8,830 and $-0-, respectively, and are included within prepaid expenses and other assets in the accompanying statements of financial position.

During the years ended May 31, 2018 and 2017, TFA received contributions from certain members of its Board of Directors (Note 4).

11. EDUCATION AWARDS DUE TO CORPS MEMBERS

TFA granted education awards (the "awards") for eligible corps members who successfully completed the 2016-2017 and prior school years. The awards were intended to mirror the awards provided by the Corporation of National and Community Service. Approximately 40 and 50 corps members were granted awards in varying amounts up to $5,815 and $5,730 that could be applied to pay student loans or educational expenses for the years ended May 31, 2018 and 2017, respectively. As of May 31, 2018 and 2017, approximately $5.1 and $5.3 million, respectively, has been awarded and remained to be disbursed, and which was included in accounts payable and accrued expenses in the accompanying statements of financial position. The awards are valid for 7 years post completion of the corps members' service and are payable through July 1, 2025, at which time these awards expire.

12. 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 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 six months of employment, increasing to 12 months, effective October 1, 2008. Withdrawal cannot be made without penalty until the age of 59½. TFA matching contributions totaled approximately $5.1 million and $4.9 million for the years ended May 31, 2018 and 2017, 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, 2018 and 2017, employer contributions to this plan were approximately $8,500 and $11,900, respectively.

13. COMMITMENT AND CONTINGENCIES

Operating Leases

TFA has entered into approximately 70 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 May 2021.

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

	Office Space	Equipment
Year Ending May 31,		
2019	$ 14,730,407	$ 265,127
2020	13,395,792	102,277
2021	12,430,495	18,434
2022	11,473,973	-
2023	9,993,265	-
Thereafter	59,594,543	-
Total	$ 121,618,475	$ 385,838

Total rent expense approximated $13.6 million and $13.7 million for the years ended May 31, 2018 and 2017, respectively.

In addition to the above, TFA entered into forty-five 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, expire at various dates through November 2022. Future lease income under these agreements will be $2,696,550, $1,765,141, $1,781,090, $1,834,523, and $930,817 for the next five years ending May 31, 2019 through 2023 respectively. Rental income totaled approximately $1.8 million and $1.0 million for the years ended May 31, 2018 and 2017, 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 $10.2 million and $8.6 million at May 31, 2018 and 2017, 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.

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 26, 2018, the date these financial statements were available to be issued.