

TEACHING MATTERS, INC.

**Financial Statements
for year ended
August 31, 2012**

**CONDON
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Independent Auditors' Report

To the Board of Directors
Teaching Matters, Inc.

We have audited the accompanying statement of financial position of Teaching Matters, Inc. ("TMI") as of August 31, 2012 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of TMI's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from TMI's 2011 financial statements and, in our report dated December 13, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TMI at August 31, 2012 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

October 22, 2012

TEACHING MATTERS, INC.

Statement of Financial Position

Assets

	<u>August 31</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents	\$ 5,933,119	\$ 4,554,771
Accounts receivable, net	488,785	1,872,988
Contributions receivable	80,000	287,500
Prepaid expenses	22,456	3,877
Furniture, equipment and leasehold improvements, at cost, net of accumulated depreciation and amortization of \$535,157 and \$528,053 for 2012 and 2011, respectively	<u>-</u>	<u>7,104</u>
Total assets	<u>\$ 6,524,360</u>	<u>\$ 6,726,240</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 207,273	\$ 522,369
Deferred revenue and deposits	<u>16,100</u>	<u>8,575</u>
Total liabilities	<u>223,373</u>	<u>530,944</u>
Net assets		
Unrestricted	6,220,987	5,907,796
Temporarily restricted	<u>80,000</u>	<u>287,500</u>
Total net assets	<u>6,300,987</u>	<u>6,195,296</u>
Total liabilities and net assets	<u>\$ 6,524,360</u>	<u>\$ 6,726,240</u>

See notes to financial statements.

TEACHING MATTERS, INC.

Statement of Activities

Year Ended August 31

	2012			2011		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue						
Contributions	\$ 379,998	\$ 380,000	\$ 759,998	\$ 485,601	\$ 550,000	\$ 1,035,601
Net assets released from restrictions	587,500	(587,500)	-	407,500	(407,500)	-
Total public support	<u>967,498</u>	<u>(207,500)</u>	<u>759,998</u>	<u>893,101</u>	<u>142,500</u>	<u>1,035,601</u>
Revenue						
Service and consulting fees	4,390,264	-	4,390,264	5,659,438	-	5,659,438
Investment income	4,250	-	4,250	2,896	-	2,896
Miscellaneous	4,811	-	4,811	202	-	202
Total revenue	<u>4,399,325</u>	<u>-</u>	<u>4,399,325</u>	<u>5,662,536</u>	<u>-</u>	<u>5,662,536</u>
Total public support and revenue	<u>5,366,823</u>	<u>(207,500)</u>	<u>5,159,323</u>	<u>6,555,637</u>	<u>142,500</u>	<u>6,698,137</u>
Expenses						
Program services	4,285,418	-	4,285,418	5,192,594	-	5,192,594
Fund-raising	307,738	-	307,738	376,112	-	376,112
Management and general	460,476	-	460,476	593,396	-	593,396
Total expenses	<u>5,053,632</u>	<u>-</u>	<u>5,053,632</u>	<u>6,162,102</u>	<u>-</u>	<u>6,162,102</u>
Increase (decrease) in net assets	<u>313,191</u>	<u>(207,500)</u>	<u>105,691</u>	<u>393,535</u>	<u>142,500</u>	<u>536,035</u>
Net assets, beginning of year	<u>5,907,796</u>	<u>287,500</u>	<u>6,195,296</u>	<u>5,514,261</u>	<u>145,000</u>	<u>5,659,261</u>
Net assets, end of year	<u>\$ 6,220,987</u>	<u>\$ 80,000</u>	<u>\$ 6,300,987</u>	<u>\$ 5,907,796</u>	<u>\$ 287,500</u>	<u>\$ 6,195,296</u>

See notes to financial statements.

TEACHING MATTERS, INC.

Statement of Cash Flows

	Year Ended	
	August 31	
	<u>2012</u>	<u>2011</u>
Cash from operating activities		
Increase in net assets	\$ 105,691	\$ 536,035
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	7,104	27,450
(Increase) decrease in current assets		
Accounts receivable	1,384,203	(1,010,960)
Contributions receivable	207,500	(153,193)
Prepaid expenses	(18,579)	46,207
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(315,096)	388,964
Deferred revenue and deposits	<u>7,525</u>	<u>(30,345)</u>
Net cash provided by (used in) operating activities	<u>1,378,348</u>	<u>(195,842)</u>
Increase (decrease) in cash and cash equivalents	1,378,348	(195,842)
Cash and cash equivalents, beginning of year	<u>4,554,771</u>	<u>4,750,613</u>
Cash and cash equivalents, end of year	<u>\$5,933,119</u>	<u>\$4,554,771</u>

See notes to financial statements.

TEACHING MATTERS, INC.

**Statement of Functional Expenses
Year Ended August 31, 2012
(with Comparative Totals for 2011)**

	<u>2012</u>			<u>2011</u>	
	<u>Program Services</u>	<u>Fund- Raising</u>	<u>Management and General</u>	<u>Total</u>	<u>Total</u>
Salaries and related expenses	\$3,355,966	\$ 228,864	\$ 272,602	\$3,857,432	\$4,413,587
Professional fees	372,549	23,551	121,364	517,464	887,725
Computer software and expenses	66,428	-	11,859	78,287	103,993
Equipment rentals	4,140	90	270	4,500	5,034
Meetings, conferences and travel	55,788	437	3,758	59,983	155,976
Occupancy	105,691	2,292	10,021	118,004	114,397
Membership	15,817	412	249	16,478	10,981
Office supplies and expense	11,813	1,575	8,739	22,127	26,853
Postage and messengers	5,618	259	582	6,459	12,870
Printing and stationery	60,430	-	125	60,555	79,190
Telephone	8,900	38	309	9,247	26,397
Temporary help, recruiting, and training	32,838	-	-	32,838	26,750
Marketing and promotion	51,212	49,935	7,554	108,701	143,919
Other	<u>132,048</u>	<u>-</u>	<u>22,405</u>	<u>154,453</u>	<u>126,980</u>
Total expenses before depreciation and amortization	4,279,238	307,453	459,837	5,046,528	6,134,652
Depreciation and amortization	<u>6,180</u>	<u>285</u>	<u>639</u>	<u>7,104</u>	<u>27,450</u>
Total expenses	<u>\$4,285,418</u>	<u>\$ 307,738</u>	<u>\$ 460,476</u>	<u>\$5,053,632</u>	<u>\$6,162,102</u>

See notes to financial statements.

TEACHING MATTERS, INC.

**Notes to Financial Statements
August 31, 2012 and August 31, 2011**

Note 1 – Organization

Teaching Matters, Inc. (“TMI”) is an educational not-for-profit organization, operating in New York City since May 1994. TMI provides technology planning and professional development largely but not exclusively in New York City metropolitan area schools.

TMI’s sources of financial support include contributions from private individuals, grant awards from public charities and foundations, and fees for services.

Note 2 – Summary of significant accounting policies

Financial reporting

TMI maintains two classes of net assets, as follows:

Unrestricted

Operating fund

Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of TMI. The Board has set aside an amount equal to approximately one year’s unrestricted net assets as a reserve to cushion the organization against unexpected events, loss of income and large unbudgeted items in accordance with non-profit industry best practices.

Temporarily restricted net assets

The transactions in temporarily restricted net assets as of and for the year ended August 31, 2012 are as follows:

	Balance at August 31, <u>2011</u>	Support	Released from <u>Restrictions</u>	Balance at August 31, <u>2012</u>
Booth Ferris Foundation	\$ -	\$ 30,000	\$ -	\$ 30,000
The Felix & Elizabeth Rohatyn Foundation, Inc.	187,500	350,000	537,500	-
The Carson Family Charitable Trust	50,000	-	50,000	-
Anonymous	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total	<u>\$ 287,500</u>	<u>\$ 380,000</u>	<u>\$ 587,500</u>	<u>\$ 80,000</u>

TEACHING MATTERS, INC.**Notes to Financial Statements
August 31, 2012 and August 31, 2011****Note 2 – Summary of significant accounting policies (continued)****Grants and contributions**

TMI reports contributions that are unrestricted as unrestricted public support. Grants and contributions that are received with donor stipulations that limit the use of the donated assets are recorded as temporarily restricted support. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash equivalents

TMI considers cash equivalents to be highly liquid investments with maturities of 90 days or less.

Allowance for doubtful accounts

As of August 31, 2012, TMI has an allowance for doubtful accounts of \$7,000 for any potentially uncollectible receivables. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated lives of the assets ranging from three to seven years. As of August 31, 2012, furniture, equipment and leasehold improvements were fully depreciated or amortized.

Service and consulting fees

TMI reports services and consulting fees as revenue when services are rendered and the terms of the contracts are met. For services not yet provided, TMI defers the revenue until the next fiscal year.

Functional allocation of expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, generally on a basis of time spent.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

TEACHING MATTERS, INC.

**Notes to Financial Statements (continued)
August 31, 2012 and August 31, 2011**

Note 2 – Summary of significant accounting policies (continued)

Concentrations of credit risk

TMI's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, accounts receivable and grants and contribution receivable. TMI places its cash and cash equivalents with what it believes to be quality financial institutions. TMI has not experienced any losses in such bank accounts to date. TMI believes that all accounts receivable and grants and contribution receivables are collectible.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by functional class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with TMI's financial statements for the year ended August 31, 2011 from which the summarized information was derived.

Subsequent events

TMI has evaluated events and transactions for potential recognition or disclosure through October 22, 2012, which is the date the financial statements were available to be issued.

Note 3 – Furniture, equipment and leasehold improvements

The following is a summary of furniture, equipment and leasehold improvements as of August 31, 2012 and August 31, 2011:

	<u>August 31</u>	
	<u>2012</u>	<u>2011</u>
Furniture, equipment and leasehold improvements	\$ 535,157	\$ 535,157
Less: accumulated depreciation and amortization	<u>535,157</u>	<u>528,053</u>
Net property and equipment	<u>\$ -</u>	<u>\$ 7,104</u>

TEACHING MATTERS, INC.**Notes to Financial Statements (continued)
August 31, 2012 and August 31, 2011****Note 4 – Retirement plan**

TMI maintains a defined contribution retirement plan and a tax-deferred annuity plan (the “Plan”) covering all eligible employees. All eligible employees may begin participation in the Plan on the first of the month following employment at TMI. Eligible employees may defer a portion of their earnings in accordance with the Internal Revenue Code, with a corresponding matching contribution by TMI not to exceed 3% of their regular salary. TMI begins matching contributions after one year of service.

Employees can make additional voluntary tax deferred contributions to the Plan through further salary reductions. Contributions are invested in the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Total retirement benefit costs for the year ended August 31, 2012 and 2011 were \$41,400 and \$41,835, respectively.

Note 5 – Commitment

On December 1, 2010, TMI entered into a new lease for 4 years and eight months expiring July 31, 2015. The rent is based on the amount equal to the tenant’s proportionate share as outlined in the lease. The monthly rent for 2012 was \$9,286. TMI received a notice from the landlord in December 2011 which resulted in a 4% increase in rent in 2012.

Note 6 – Tax status

TMI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, TMI has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation under the meaning of Section 509(a)(1) of the Code. As of August 31, 2012, no amounts were recognized for any uncertain income tax positions. In addition, TMI’s tax returns for the 2009 fiscal year and forward are subject to the usual review by the appropriate taxing authorities.