

**TEACHING MATTERS, INC.**

**Financial Statements  
for year ended  
August 31, 2013**

## **Independent Auditor's Report**

To the Board of Directors  
Teaching Matters, Inc.

We have audited the accompanying financial statements of Teaching Matters, Inc. which comprise the statement of financial position as of August 31, 2013 and the related statements of activities, functional expenses and cash flows for the year 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 audit. 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 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.

***Opinion***

In our opinion, the financial statements referred to in the first paragraph on the previous page present fairly, in all material respects, the financial position of Teaching Matters, Inc. as of August 31, 2013 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the 2012 financial statements of Teaching Matters, Inc., and our report dated October 22, 2012 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Condon P. Meara McEnty + Donnelly LLP*

## TEACHING MATTERS, INC.

## Statement of Financial Position

## Assets

	<u>August 31</u>	
	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,829,773	\$ 5,933,119
Accounts receivable, net	2,564,631	488,785
Contributions receivable	300,500	80,000
Prepaid expenses	10,055	22,456
Furniture, equipment and leasehold improvements, at cost, net of accumulated depreciation and amortization of \$543,625 and \$535,157 for 2013 and 2012, respectively	<u>8,468</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 7,713,427</u></b>	<b><u>\$ 6,524,360</u></b>

## Liabilities and Net Assets

<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 167,582	\$ 207,273
Deferred revenue and deposits	<u>721,520</u>	<u>16,100</u>
Total liabilities	<u>889,102</u>	<u>223,373</u>
<b>Net assets</b>		
Unrestricted	6,523,825	6,220,987
Temporarily restricted	<u>300,500</u>	<u>80,000</u>
Total net assets	<u>6,824,325</u>	<u>6,300,987</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 7,713,427</u></b>	<b><u>\$ 6,524,360</u></b>

See notes to financial statements.

**TEACHING MATTERS, INC.**

**Statement of Activities**

	Year Ended August 31		
	2013		2012
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public support and revenue</b>			
Contributions	\$ 235,205	\$ 775,500	\$ 1,010,705
Net assets released from restrictions	555,000	(555,000)	-
Total public support	<u>790,205</u>	<u>220,500</u>	<u>1,010,705</u>
			<u>Unrestricted</u>
			<u>Temporarily Restricted</u>
			<u>Total</u>
			<u>Unrestricted</u>
			<u>Temporarily Restricted</u>
			<u>Total</u>
<b>Revenue</b>			
Service and consulting fees	4,778,570	-	4,778,570
Miscellaneous	2,137	-	2,137
Total revenue	<u>4,780,707</u>	<u>-</u>	<u>4,780,707</u>
Total public support and revenue	<u>5,570,912</u>	<u>220,500</u>	<u>5,791,412</u>
			<u>5,366,823</u>
			<u>(207,500)</u>
			<u>5,159,323</u>
<b>Expenses</b>			
Program services	4,312,030	-	4,312,030
Fund-raising	254,333	-	254,333
Management and general	701,711	-	701,711
Total expenses	<u>5,268,074</u>	<u>-</u>	<u>5,268,074</u>
Increase (decrease) in net assets	<u>302,838</u>	<u>220,500</u>	<u>523,338</u>
Net assets, beginning of year	<u>6,220,987</u>	<u>80,000</u>	<u>6,300,987</u>
Net assets, end of year	<u>\$ 6,523,825</u>	<u>\$ 300,500</u>	<u>\$ 6,824,325</u>
			<u>\$ 6,220,987</u>
			<u>\$ 80,000</u>
			<u>\$ 6,300,987</u>
			<u>\$ 287,500</u>
			<u>\$ 6,195,296</u>
			<u>\$ 80,000</u>
			<u>\$ 6,300,987</u>

See notes to financial statements.

## TEACHING MATTERS, INC.

## Statement of Cash Flows

	Year Ended	
	August 31	
	<u>2013</u>	<u>2012</u>
<b>Cash from operating activities</b>		
Increase in net assets	\$ 523,338	\$ 105,691
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	8,468	7,104
(Increase) decrease in current assets		
Accounts receivable	(2,075,846)	1,384,203
Contributions receivable	(220,500)	207,500
Prepaid expenses	12,401	(18,579)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(39,691)	(315,096)
Deferred revenue and deposits	<u>705,420</u>	<u>7,525</u>
Net cash provided by (used in) operating activities	<u>(1,086,410)</u>	<u>1,378,348</u>
<b>Cash flows from investing activities</b>		
Purchase of leasehold improvements	<u>(16,936)</u>	<u>-</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,103,346)</b>	<b>1,378,348</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>5,933,119</u></b>	<b><u>4,554,771</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$4,829,773</u></b>	<b><u>\$5,933,119</u></b>

See notes to financial statements.

**TEACHING MATTERS, INC.**

**Statement of Functional Expenses  
Year Ended August 31, 2013  
(with Comparative Totals for 2012)**

	<u>2013</u>			<u>2012</u>		
	<u>Program Services</u>	<u>Fund- Raising</u>	<u>Management and General</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Salaries and related expenses	\$ 3,371,902	\$ 200,708	\$ 441,559	\$ 4,014,169	\$3,857,432	
Professional fees	361,433	3,937	104,387	469,757	517,464	
Computer software and expenses	40,608	2,375	5,224	48,207	78,287	
Equipment rentals	-	-	-	-	4,500	
Meetings, conferences and travel	146,870	3,499	7,698	158,067	59,983	
Occupancy	99,485	5,921	13,028	118,434	118,004	
Memberships	26,694	381	840	27,915	16,478	
Office supplies and expense	10,880	2,270	4,359	17,509	22,127	
Postage and messengers	-	5,326	5,326	10,652	6,459	
Printing and stationery	58,973	417	917	60,307	60,555	
Telephone	8,837	526	1,158	10,521	9,247	
Temporary help, recruiting, and training	48,104	-	-	48,104	32,838	
Marketing and promotion	63,947	28,075	-	92,022	108,701	
Other	<u>74,297</u>	<u>898</u>	<u>108,747</u>	<u>183,942</u>	<u>154,453</u>	
Total expenses before depreciation and amortization	4,312,030	254,333	693,243	5,259,606	5,046,528	
<b>Depreciation and amortization</b>	-	-	<u>8,468</u>	<u>8,468</u>	<u>7,104</u>	
<b>Total expenses</b>	<u>\$ 4,312,030</u>	<u>\$ 254,333</u>	<u>\$ 701,711</u>	<u>\$ 5,268,074</u>	<u>\$5,053,632</u>	

See notes to financial statements.

**TEACHING MATTERS, INC.**

**Notes to Financial Statements  
August 31, 2013 and August 31, 2012**

**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 net assets

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 in agreement with management has set aside a reserve amount equal to approximately one year’s unrestricted net assets that can be invested upon Board approval to generate earnings to help promote TMI’s mission and long-term plan.

Temporarily restricted net assets

The transactions in temporarily restricted net assets as of and for the year ended August 31, 2013 are as follows:

	Balance at August 31, <u>2012</u>	<u>Support</u>	Released from <u>Restrictions</u>	Balance at August 31, <u>2013</u>
The Felix & Elizabeth Rohatyn Foundation, Inc.	\$ -	\$ 325,000	\$ 325,000	\$ -
Booth Ferris Foundation	30,000	300,000	180,000	150,000
The Duet Family Fund	-	150,000	-	150,000
Anonymous	50,000	-	50,000	-
Time restricted	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total	<u>\$ 80,000</u>	<u>\$ 775,500</u>	<u>\$ 555,000</u>	<u>\$ 300,500</u>

TEACHING MATTERS, INC.

Notes to Financial Statements  
August 31, 2013 and August 31, 2012

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, 2013 and August 31, 2012, TMI has an allowance for doubtful accounts of \$107,000 and \$7,000, respectively, 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.

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. In addition, TMI sells software and includes this revenue in service fee revenue.

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, 2013 and August 31, 2012**

**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, 2012 from which the summarized information was derived.

Subsequent events

TMI has evaluated events and transactions for potential recognition or disclosure through December 16, 2013, 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, 2013 and August 31, 2012:

	<u>August 31</u>	
	<u>2013</u>	<u>2012</u>
Furniture, equipment and leasehold improvements	\$ 552,093	\$ 535,157
Less: accumulated depreciation and amortization	<u>543,625</u>	<u>535,157</u>
Net property and equipment	\$ 8,468	\$ -

**TEACHING MATTERS, INC.****Notes to Financial Statements (continued)  
August 31, 2013 and August 31, 2012****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, 2013 and 2012 were \$47,594 and \$41,400, 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 2013 was \$9,582. TMI received a notice from the landlord in December 2012 which resulted in a 3.2% increase in rent in 2013.

**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, 2013, no amounts were recognized for uncertain income tax positions. In addition, TMI’s tax returns for the 2010 fiscal year and forward are subject to the usual review by the appropriate taxing authorities.