

Financial Statements and State of Louisiana and  
Uniform Guidance Supplementary Information Together with  
Reports of Independent Certified Public Accountants

**TEACH FOR AMERICA**

For the years ended May 31, 2017 and 2016

# TEACH FOR AMERICA

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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”), which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Teach For America, Inc. as of May 31, 2017 and 2016, 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.

**Other matters**

*Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head, Political Subdivision Head or Chief Executive Officer for the year ended May 31, 2017, as required by the State of Louisiana, and the Schedule of Expenditures of Federal Awards for the year ended June 30, 2017, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”), are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 29, 2017 on our consideration of TFA’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TFA’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TFA’s internal control over financial reporting and compliance.



New York, New York  
November 29, 2017

**TEACH FOR AMERICA**  
**Statements of Financial Position**  
**As of May 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 23,968,136	\$ 28,059,529
Restricted cash (Note 2)	2,012,334	2,012,334
Grants and contracts receivable	6,979,601	8,449,320
Fee for service receivable, net (Note 2)	350,305	612,041
Prepaid expenses and other assets	9,566,894	11,439,250
Contributions receivable, net (Note 4)	29,329,812	50,053,944
Loans receivable from corps members, net (Note 5)	4,979,863	6,037,952
Investments, at fair value (Note 3)	320,297,666	266,957,572
Fixed assets, net (Note 6)	<u>22,565,801</u>	<u>29,216,452</u>
Total assets	<u>\$ 420,050,412</u>	<u>\$ 402,838,394</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 35,551,559	\$ 39,972,591
Deferred rent payable (Note 14)	8,641,066	7,961,530
Deferred revenue	15,547,066	9,937,786
Other liabilities	<u>670,402</u>	<u>1,804,393</u>
Total liabilities	<u>60,410,093</u>	<u>59,676,300</u>
<b>COMMITMENT AND CONTINGENCIES (Notes 7 and 14)</b>		
<b>NET ASSETS</b>		
Unrestricted (Note 9)	126,787,463	119,026,174
Temporarily restricted (Notes 8 and 9)	115,690,982	106,974,046
Permanently restricted (Note 9)	<u>117,161,874</u>	<u>117,161,874</u>
Total net assets	<u>359,640,319</u>	<u>343,162,094</u>
Total liabilities and net assets	<u>\$ 420,050,412</u>	<u>\$ 402,838,394</u>

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

**TEACH FOR AMERICA**  
**Statement of Activities**  
**For the year ended May 31, 2017, with comparative totals for 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Contributions (Note 4)	\$ 121,015,061	\$ 12,708,115	\$ -	\$ 133,723,176	\$ 128,259,633
Grants and contracts	95,313,169	-	-	95,313,169	124,331,626
Fee for service	23,413,038	-	-	23,413,038	27,449,981
Special events, net (Note 2)	14,918,203	-	-	14,918,203	11,181,402
Contributed goods and services (Note 12)	106,121	-	-	106,121	3,505,557
Interest and dividend income, net of fees (Note 3)	904,070	3,868,756	-	4,772,826	3,601,245
Net appreciation (depreciation) in fair value of investments (Note 3)	5,565,845	26,522,628	-	32,088,473	(7,360,347)
Licensing fees and other revenue	1,535,153	-	-	1,535,153	962,802
Net assets released from restrictions (Note 8)	34,382,563	(34,382,563)	-	-	-
<b>Total revenues, gains and other support</b>	<b>297,153,223</b>	<b>8,716,936</b>	<b>-</b>	<b>305,870,159</b>	<b>291,931,899</b>
<b>OPERATING EXPENSES</b>					
<b>Program services</b>					
Teacher recruitment and selection	49,766,278	-	-	49,766,278	51,264,606
Pre-service institute	34,354,497	-	-	34,354,497	37,662,200
Placement, professional development, and other	116,926,634	-	-	116,926,634	123,682,630
Alumni affairs	29,417,787	-	-	29,417,787	37,149,712
<b>Total program services</b>	<b>230,465,196</b>	<b>-</b>	<b>-</b>	<b>230,465,196</b>	<b>249,759,148</b>
<b>Supporting services</b>					
Management and general	32,933,323	-	-	32,933,323	34,709,604
Fundraising	25,993,415	-	-	25,993,415	27,983,577
<b>Total supporting services</b>	<b>58,926,738</b>	<b>-</b>	<b>-</b>	<b>58,926,738</b>	<b>62,693,181</b>
<b>Total operating expenses</b>	<b>289,391,934</b>	<b>-</b>	<b>-</b>	<b>289,391,934</b>	<b>312,452,329</b>
<b>Change in net assets before nonrecurring and infrequent expenses</b>	<b>7,761,289</b>	<b>8,716,936</b>	<b>-</b>	<b>16,478,225</b>	<b>(20,520,430)</b>
<b>Nonrecurring and infrequent expenses, net (Note 2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,062,053</b>
<b>Change in net assets</b>	<b>7,761,289</b>	<b>8,716,936</b>	<b>-</b>	<b>16,478,225</b>	<b>(33,582,483)</b>
Net assets, beginning of year	119,026,174	106,974,046	117,161,874	343,162,094	376,744,577
<b>Net assets, end of year</b>	<b>\$ 126,787,463</b>	<b>\$ 115,690,982</b>	<b>\$ 117,161,874</b>	<b>\$ 359,640,319</b>	<b>\$ 343,162,094</b>

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

**TEACH FOR AMERICA**  
**Statement of Activities**  
**For the year ended May 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions (Note 4)	\$ 98,022,088	\$ 30,237,545	\$ -	\$ 128,259,633
Grants and contracts	124,331,626	-	-	124,331,626
Fee for service	27,449,981	-	-	27,449,981
Special events, net (Note 2)	11,181,402	-	-	11,181,402
Contributed goods and services (Note 12)	3,505,557	-	-	3,505,557
Interest and dividend income, net of fees (Note 3)	829,416	2,771,829	-	3,601,245
Net depreciation in fair value of investments (Note 3)	(1,379,265)	(5,981,082)	-	(7,360,347)
Licensing fees and other revenue	962,802	-	-	962,802
Net assets released from restrictions (Note 8)	<u>29,786,261</u>	<u>(29,786,261)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>294,689,868</u>	<u>(2,757,969)</u>	<u>-</u>	<u>291,931,899</u>
<b>OPERATING EXPENSES</b>				
Program services				
Teacher recruitment and selection	51,264,606	-	-	51,264,606
Pre-service institute	37,662,200	-	-	37,662,200
Placement, professional development, and other	123,682,630	-	-	123,682,630
Alumni affairs	<u>37,149,712</u>	<u>-</u>	<u>-</u>	<u>37,149,712</u>
Total program services	<u>249,759,148</u>	<u>-</u>	<u>-</u>	<u>249,759,148</u>
Supporting services				
Management and general	34,709,604	-	-	34,709,604
Fundraising	<u>27,983,577</u>	<u>-</u>	<u>-</u>	<u>27,983,577</u>
Total supporting services	<u>62,693,181</u>	<u>-</u>	<u>-</u>	<u>62,693,181</u>
Total operating expenses	<u>312,452,329</u>	<u>-</u>	<u>-</u>	<u>312,452,329</u>
Change in net assets before nonrecurring and infrequent expenses	<u>(17,762,461)</u>	<u>(2,757,969)</u>	<u>-</u>	<u>(20,520,430)</u>
Nonrecurring and infrequent expenses, net (Note 2)	<u>13,062,053</u>	<u>-</u>	<u>-</u>	<u>13,062,053</u>
Change in net assets	(30,824,514)	(2,757,969)	-	(33,582,483)
Net assets, beginning of year	<u>149,850,688</u>	<u>109,732,015</u>	<u>117,161,874</u>	<u>376,744,577</u>
Net assets, end of year	<u>\$ 119,026,174</u>	<u>\$ 106,974,046</u>	<u>\$ 117,161,874</u>	<u>\$ 343,162,094</u>

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

**TEACH FOR AMERICA**  
**Statements of Cash Flows**  
**For the years ended May 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 16,478,225	\$ (33,582,483)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	9,926,007	14,416,281
Change in allowances for doubtful contributions, fee for service and loans receivable	(3,551)	(499,518)
Net (appreciation) depreciation in fair value of investments	(32,088,473)	7,360,347
Losses on disposal of fixed assets	82,769	1,235,042
Donated equipment	-	(344,255)
Contributed investment securities	(11,044,211)	(21,063,402)
Proceeds from sale of contributed investment securities	11,044,211	21,063,402
Change in present value discount of contributions receivable	(79,599)	(3,586)
Changes in operating assets and liabilities		
Decrease (increase) in contributions receivable	20,858,731	(4,522,887)
Decrease in grants and contracts receivable	1,469,719	2,903,034
Decrease (increase) in fee for service receivable	268,737	(89,899)
Decrease in prepaid expense and other assets	1,872,356	9,223,549
Decrease in accounts payable and accrued expenses	(4,421,032)	(9,463,663)
Increase in deferred rent payable	679,536	615,814
Increase (decrease) in deferred revenue	5,609,280	(144,418)
(Decrease) increase in other liabilities	(992,233)	1,195,387
Net cash provided by (used in) operating activities	<u>19,660,472</u>	<u>(11,701,255)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	82,195,872	43,084,835
Purchase of investments	(103,447,493)	(39,676,946)
Purchase of fixed assets	(3,315,488)	(3,759,551)
Loans to corps members	(4,271,507)	(5,047,863)
Repayments of loans from corps members	<u>5,271,146</u>	<u>7,191,763</u>
Net cash (used in) provided by investing activities	<u>(23,567,470)</u>	<u>1,792,238</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligation	<u>(184,395)</u>	<u>(227,600)</u>
Net cash used in financing activities	<u>(184,395)</u>	<u>(227,600)</u>
Net decrease in cash and cash equivalents	<u>(4,091,393)</u>	<u>(10,136,617)</u>
Cash and cash equivalents, beginning of year	<u>28,059,529</u>	<u>38,196,146</u>
Cash and cash equivalents, end of year	<u>\$ 23,968,136</u>	<u>\$ 28,059,529</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	<u>\$ 171,619</u>	<u>\$ 214,376</u>
<b>Noncash investing and financing activities:</b>		
Capital lease obligations	<u>\$ 45,645</u>	<u>\$ 6,695</u>
Donated equipment	<u>\$ -</u>	<u>\$ 344,255</u>

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

**TEACH FOR AMERICA**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**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.

TFA is dedicated to building a national corps of outstanding recent college graduates of all academic majors who commit two years to teach in under-resourced urban and rural public schools and who become lifelong leaders in pursuit of expanding educational opportunity. TFA recruits and selects recent college graduates who meet high standards, trains them in an intensive summer program, places them in urban and rural school districts, and coordinates a support network for them during the two years they commit to teach. TFA also works to keep alumni connected to each other and to its mission.

**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, 2017 and 2016, the total amount of Board-designated unrestricted net assets authorized to function as endowments were \$3,924,693 and \$3,281,148, 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.

**TEACH FOR AMERICA**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Reclassifications**

Certain 2016 amounts have been reclassified to conform to the 2017 presentation. Such reclassifications had no impact on total assets, liabilities, revenues, expenses, or changes in net assets as previously presented in the fiscal 2016 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 following three levels of inputs that may be used to measure fair value, follow:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets and liabilities. The type of investments categorized as Level 1 include listed equities held in the entity’s name and exclude any listed equities and other securities held indirectly through commingled funds.
- 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.

In 2015, the Financial Accounting Standards Board (“FASB”) issued guidance amending the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient. The guidance is effective for fiscal years beginning after December 15, 2016. Management elected to early adopt the provisions of this new standard during the year ended May 31, 2017. The guidance only amended disclosure requirements and did not have any impact on TFA’s statements of financial position or consolidated statements of activities for the years presented.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less. Amounts which are neither designated for long-term purposes nor covered under any investment management arrangements are presented as cash and cash equivalents in the accompanying statements of financial position. 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.

**TEACH FOR AMERICA**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Restricted Cash**

TFA entered into a letter of credit agreement with Wells Fargo in connection with its national office which, among other things, required \$2,012,334 to be maintained as a security deposit under a letter of credit agreement, expiring on January 31, 2018.

**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. Reported fair values for alternative investments, if any, are estimated by the respective external investment manager if ascertainable market values are not readily available. Such valuations involve assumptions and methods that are reviewed and accepted by TFA.

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, 2017 and 2016.

**Contributions**

TFA records unconditional promises 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 2017 or 2016.

**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

**TEACH FOR AMERICA**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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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 2017 or 2016.

### **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 May 31, 2017 and 2016, fee for service receivables were presented net of an allowance of \$20,390 and \$27,391, respectively.

### **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 \$1,763,826 and \$936,789 for the years ended May 31, 2017 and 2016, respectively.

### **Advertising Expenses**

TFA expenses advertising costs as they are incurred. Advertising expenses amounted to \$2,183,913 and \$1,906,697 for the years ended May 31, 2017 and 2016, respectively, and are included within management and general in the accompanying statements of activities.

# TEACH FOR AMERICA

## Notes to Financial Statements

### May 31, 2017 and 2016

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#### **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 following is a description of TFA's programs:

##### *Teacher Recruitment and Selection*

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.

##### *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.

##### *Placement, Professional Development, and Other*

TFA places corps members in various urban and rural regions throughout the United States. 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 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 supports and encourages alumni to continue to work in education and across sectors to address issues negatively impacting low income communities. TFA supports the continued development of alumni in three programmatic areas: classroom practice, school leadership and social entrepreneurship.

#### **Nonrecurring and Infrequent Expenses, net**

During the year ended May 31, 2016, TFA incurred expenses of approximately \$13.1 million in connection with TFA-wide strategic reorganization of \$6.3 million and 25<sup>th</sup> Summit Anniversary costs of \$11.3 million, net of contributions of \$4.5 million. There were no such events during the year ended May 31, 2017.

#### **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.

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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.

**3. INVESTMENTS, AT FAIR VALUE**

A summary of investments at May 31, 2017 and 2016, follows:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 51,292,384	\$ 35,911,213
Equities	244,886,744	209,546,342
Fixed income securities	<u>24,118,538</u>	<u>21,500,017</u>
	<u>\$ 320,297,666</u>	<u>\$ 266,957,572</u>

The following table summarizes investments by level, within the fair value hierarchy as of May 31, 2017 and 2016:

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 51,292,384	\$ -	\$ -	\$ 51,292,384
Equities	244,886,744	-	-	244,886,744
Fixed income securities	<u>24,118,538</u>	<u>-</u>	<u>-</u>	<u>24,118,538</u>
	<u>\$ 320,297,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,297,666</u>
	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 35,911,213	\$ -	\$ -	\$ 35,911,213
Equities	209,546,342	-	-	209,546,342
Fixed income securities	<u>21,500,017</u>	<u>-</u>	<u>-</u>	<u>21,500,017</u>
	<u>\$ 266,957,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,957,572</u>

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For the years ended May 31, 2017 and 2016, TFA's investment returns consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends, net of fees	\$ 4,772,826	\$ 3,601,245
Appreciation (depreciation) in fair value of investments	<u>32,088,473</u>	<u>(7,360,347)</u>
Total investment return (loss)	<u>\$ 36,861,299</u>	<u>\$ (3,759,102)</u>

**4. CONTRIBUTIONS RECEIVABLE, NET**

A summary of contributions receivable at May 31, 2017 and 2016, follows:

	<u>2017</u>	<u>2016</u>
Due in:		
Less than one year	\$ 7,778,775	\$ 12,187,879
One to five years	<u>22,691,864</u>	<u>39,141,491</u>
	30,470,639	51,329,370
Less: Discount to present value ranging from 0.37% to 1.41% and 0.25% to 1.35% at May 31, 2017 and 2016, respectively	(145,827)	(225,426)
Allowance for doubtful accounts	<u>(995,000)</u>	<u>(1,050,000)</u>
Contributions receivable, net	<u>\$ 29,329,812</u>	<u>\$ 50,053,944</u>

During the years ended May 31, 2017 and 2016, approximately \$1,341,000 and \$630,000, respectively, was written off as uncollectible.

TFA has also been notified of certain intentions to give. However, these amounts have not been recorded in the accompanying financial statements due to their conditional nature (e.g., challenge grants). Such conditional gifts totaled approximately \$6.9 million at both May 31, 2017 and 2016.

For the years ended May 31, 2017 and 2016, TFA received new contributions mostly in cash from members of its National Board of Directors totaling \$33.4 million and \$30.3 million, respectively, which represented 25% and 24% of total contributions, respectively. TFA received approximately \$2.0 million and \$90,000 in payments against prior pledges from these related parties, for the years ended May 31, 2017 and 2016, respectively.

**5. LOANS RECEIVABLE FROM CORPS MEMBERS, NET**

TFA makes uncollateralized loans to corps members based on financial need. Corps member loans are funded through TFA's loan programs. As of May 31, 2017 and 2016, loans represented 1.0% of total assets.

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A summary of corps member loans at May 31, 2017 and 2016, follows:

	<u>2017</u>	<u>2016</u>
Corps Member Transition Loans	\$ 5,728,871	\$ 6,732,727
Corps Member Placement Loans	6,442	2,225
Less: Allowance for doubtful accounts	<u>(755,450)</u>	<u>(697,000)</u>
	<u>\$ 4,979,863</u>	<u>\$ 6,037,952</u>

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

<u>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>
2017	<u>\$ 785,197</u>	<u>\$ 349,326</u>	<u>\$ 89,567</u>	<u>\$ 1,224,090</u>
2016	<u>\$ 1,108,445</u>	<u>\$ 379,689</u>	<u>\$ 66,969</u>	<u>\$ 1,555,103</u>

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 \$858,000 and \$728,000 written off during the years ended May 31, 2017 and 2016, respectively.

**6. FIXED ASSETS, NET**

A summary of fixed assets follows:

	<u>May 31,</u>	
	<u>2017</u>	<u>2016</u>
Building	\$ 81,916	\$ 81,916
Computer equipment and software	53,343,705	55,032,138
Furniture and fixtures	9,700,528	9,732,947
Leasehold improvements	<u>17,804,118</u>	<u>17,911,455</u>
	80,930,267	82,758,456
Less accumulated depreciation and amortization	<u>(58,364,466)</u>	<u>(53,542,004)</u>
Fixed assets, net	<u>\$ 22,565,801</u>	<u>\$ 29,216,452</u>

Depreciation and amortization expense related to fixed assets totaled \$9,926,007 and \$14,416,281 for the years ended May 31, 2017 and 2016, respectively. During the years ended May 31, 2017 and 2016, TFA disposed of approximately \$7,204,000 and \$23,000,000 of fixed assets that resulted in losses of

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approximately \$83,000 and \$1,235,000, respectively. The majority of these disposals represented fixed assets that were fully depreciated.

**7. LINE OF CREDIT**

At May 31, 2016, TFA had a \$35,000,000 line of credit agreement with Wells Fargo, which expired March 31, 2017, interest at LIBOR market index plus 1.00% and was secured by all cash and cash equivalents and pledged receivables. 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 1.44% at May 31, 2016. TFA drew down on its line of credit during 2016, however, at May 31, 2016, there were no amounts outstanding and TFA was in compliance with its covenants.

On March 31, 2017, TFA renewed the \$35,000,000 line of credit agreement with Wells Fargo, which expires March 31, 2018, interest at LIBOR market index plus 1.00% and is secured by all cash and cash equivalents and pledged receivables. 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 2.06% at May 31, 2017. TFA drew down on its line of credit during 2017, however at May 31, 2017, there was 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 (both time and purpose restrictions) follows:

	May 31,	
	<u>2017</u>	<u>2016</u>
Cumulative unspent returns from donor-restricted endowment	\$ 86,565,408	\$ 56,174,024
Teacher recruitment and selection, placement, professional development, expansion, and other	1,302,367	2,479,512
Time restrictions	<u>27,823,207</u>	<u>48,320,510</u>
	<u>\$ 115,690,982</u>	<u>\$ 106,974,046</u>

Net assets released from restrictions, consisted of the following:

	May 31,	
	<u>2017</u>	<u>2016</u>
Expiration of time restrictions	\$ 28,855,760	\$ 23,951,280
Teacher recruitment and selection, placement, professional development, expansion, and other	<u>5,526,803</u>	<u>5,834,981</u>
	<u>\$ 34,382,563</u>	<u>\$ 29,786,261</u>

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**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:

	<b>May 31, 2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Board-designated endowment funds	\$ 3,924,693	\$ -	\$ -	\$ 3,924,693
Donor-restricted endowment funds	-	86,565,408	117,161,874	203,727,282
Total	<u>\$ 3,924,693</u>	<u>\$ 86,565,408</u>	<u>\$ 117,161,874</u>	<u>\$ 207,651,975</u>
	<b>May 31, 2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Board-designated endowment funds	\$ 3,281,148	\$ -	\$ -	\$ 3,281,148
Donor-restricted endowment funds	-	56,174,024	117,161,874	173,335,898
Total	<u>\$ 3,281,148</u>	<u>\$ 56,174,024</u>	<u>\$ 117,161,874</u>	<u>\$ 176,617,046</u>

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Changes in endowment net assets during the years ended May 31, 2017 and 2016, consisted of the following:

	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	<u>643,545</u>	<u>30,391,384</u>	<u>-</u>	<u>31,034,929</u>
Endowment net assets, end of year	<u>\$ 3,924,693</u>	<u>\$ 86,565,408</u>	<u>\$ 117,161,874</u>	<u>\$ 207,651,975</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,351,179	\$ 59,383,277	\$ 117,161,874	\$ 179,896,330
Investment return:				
Investment income, net of fees	60,487	2,771,829	-	2,832,316
Net depreciation (realized and unrealized)	(130,518)	(5,981,082)	-	(6,111,600)
Total investment return, net of fees	<u>(70,031)</u>	<u>(3,209,253)</u>	<u>-</u>	<u>(3,279,284)</u>
Endowment net assets, end of year	<u>\$ 3,281,148</u>	<u>\$ 56,174,024</u>	<u>\$ 117,161,874</u>	<u>\$ 176,617,046</u>

At May 31, 2017 and 2016, investments related to donor-restricted endowments provided cumulative investment returns totaling \$86,565,408 and \$56,174,024, 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 2017 and 2016.

**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, 2017 and 2016.

**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 funds of a 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.

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**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**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, 2017 and 2016, 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, 2017 and 2016, amounts owed to TFA from these related parties totaled approximately \$1,300,000 and \$648,000, respectively and are included within prepaid expense and other assets in the accompanying statements of financial position.

**TEACH FOR AMERICA**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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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, 2017 and 2016, the amounts owed to TFA from Teach For All totaled approximately \$163,000 and \$158,000, respectively and are included within prepaid expense and other assets in the accompanying statements of financial position.

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. As of May 31, 2017 and 2016, the amounts owed to TFA from Braven totaled approximately \$5,900 and \$6,000, respectively and are included within prepaid expense and other assets in the accompanying statements of financial position.

During 2017, TFA also entered into 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. 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, 2017, Cambiar did not owe TFA for direct expense recoveries.

During the years ended May 31, 2017 and 2016, 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 2015-2016 and prior school years. The awards were intended to mirror the awards provided by the Corporation of National and Community Service. Approximately 50 corps members were granted awards in varying amounts up to \$5,730 that could be applied to pay student loans or educational expenses for both years ended May 31, 2017 and 2016. For the years ended May 31, 2017 and 2016, approximately \$5.3 million and \$5.5 million, respectively was 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 payable until July 1, 2024, at which time these awards expire.

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**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**12. CONTRIBUTED GOODS AND SERVICES**

A summary of contributed goods and services follows:

	<u>May 31,</u>	
	<u>2017</u>	<u>2016</u>
Equipment	\$ 7,800	\$ 3,414,057
Conferences and meetings	3,290	-
Event services	7,214	37,064
Shipping services	25,556	-
Professional consulting	4,195	-
Office supplies	15,958	29,636
Temporary space rental	2,000	-
Travel and lodging	<u>40,108</u>	<u>24,800</u>
Total	<u>\$ 106,121</u>	<u>\$ 3,505,557</u>

**13. RETIREMENT PLAN**

TFA offers full and part-time staff members who work at least 20 hours a week 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 \$4.9 million and \$5.5 million for the years ended May 31, 2017 and 2016, 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, 2017 and 2016, employer contributions to this plan were approximately \$11,900 and 10,800, respectively.

**14. 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.

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**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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

Year ending May 31,	<u>Office Space</u>	<u>Equipment</u>
2018	\$ 14,029,395	\$ 287,178
2019	12,373,966	133,192
2020	11,325,019	9,360
2021	10,867,820	-
2022	10,097,756	-
Thereafter	<u>68,425,385</u>	<u>-</u>
Total	<u>\$ 127,119,341</u>	<u>\$ 429,730</u>

Total rent expense approximated \$13.7 million and \$12.4 million for the years ended May 31, 2017 and 2016, respectively.

In addition to the above, TFA entered into twenty-nine 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 through May 2019. Future lease income under these agreements will be \$1,007,891 and \$180,000 for the years ending May 31, 2018 and 2019, respectively. Total rental income was \$1,017,000 and \$399,000 for the years ended May 31, 2017 and 2016, respectively.

**Deferred Rent Payable**

Certain operating leases contain escalation clauses and rent abatements. Accordingly, TFA has recorded the straight-line effects of such escalations and recognized a deferred rent payable of approximately \$8.6 million and \$8.0 million for the years ended May 31, 2017 and 2016, 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.

**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.

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**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**15. 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 29, 2017, the date these financial statements were available to be issued.

# TEACH FOR AMERICA

## Schedule of Compensation, Benefits and Other Payments to Agency Head, Political Subdivision Head or Chief Executive Officer

For the year ended May 31, 2017

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Agency Head Name: Elisa Villanueva Beard, Chief Executive Officer

Purpose	<u>Amount</u> *
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-other (describe)	-
Car allowance	-
Vehicle provided by government (enter amount reported on W-2)	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses (example: travel advances, etc.)	-
Special meals	-
Other	-

\* As a not for profit auditee, Teach for America is required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer that are paid from Louisiana public funds.

*This schedule should be read in conjunction with the accompanying report of certified public accountants, financial statements, and notes thereto.*

**TEACH FOR AMERICA**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended May 31, 2017**

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity/ Identifying Number	TFA Federal Expenditures	Amounts Passed Through to Subrecipients
<b>Corporation for National and Community Service:</b>				
Direct Awards:				
AmeriCorps:				
2015-2016 Fixed Award	94.006	13EDHNY003	\$ 252,533	\$ -
2016-2017 Fixed Award	94.006	16EDHNY002	1,295,674	-
2016-2017 School Turnaround	94.006	13WEHNY006	474	-
Total AmeriCorps Direct Awards			<u>1,548,681</u>	<u>-</u>
Pass-through awards:				
AmeriCorps:				
The State of Alabama:				
2015-2016 Formula Award	94.006	14ESHAL0020001	6,128	-
2016-2017 Formula Award	94.006	14ESHAL0020001	36,921	-
The State of Arkansas:				
2015-2016 Award	94.006	12ACHAR0010005	9,198	-
2016-2017 Award	94.006	12ACHAR0010005	49,834	-
The State of Connecticut:				
2016-2017 Award	94.006	15OHE1222AA	25,182	-
2017-2018 Award	94.006	16OHE1236AA	65,162	-
The State of Delaware:				
2015-2016 Award	94.006	13FXHDE0010001	5,769	-
2016-2017 Award	94.006	16ESHDEE0010001	14,400	-
The District of Columbia:				
2015-2016 Award	94.006	12ACHDC0010004	21,585	-
2016-2017 Award	94.006	12ACHDC0010004	67,504	-
The State of Florida:				
2015-2016 Award (Jacksonville)	94.006	15AC172417	26,485	-
2016-2017 Award (Jacksonville)	94.006	16ESHFL0010003	95,819	-
2015-2016 Award (Miami-Dade)	94.006	15AC167988	22,163	-
2016-2017 Award (Miami-Dade)	94.006	15AC167988	125,922	-
The State of Georgia:				
2015-2016 Fixed Award Competitive	94.006	14ESHGA0010001	5,371	-
2016-2017 Fixed Award Competitive	94.006	14ESHGA0010001	52,417	-
The State of Hawaii:				
2015-2016 Award	94.006	13ACHHI001/MA140043	29,285	-
2016-2017 Award	94.006	16ACHHI001/MA140043	58,444	-
The State of Illinois:				
2015-2016 Award	94.006	15ESHIL001	2,128	-
2016-2017 Award	94.006	16ES180346	83,399	-
The State of Indiana:				
2016-2017 Award	94.006	16AC178771	200	-

**TEACH FOR AMERICA**  
**Schedule of Expenditures of Federal Awards (continued)**  
**For the year ended May 31, 2017**

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity/ Identifying Number	TFA Federal Expenditures	Amounts Passed Through to Subrecipients
The State of Kentucky:				
2016-2017 Award	94.006	15AC181409	\$ 6,091	\$ -
2017-2018 Award	94.006	16AC179875	28,755	-
The State of Louisiana:				
2015-2016 Award Competitive	94.006	14ESHLA0010001	23,373	-
2016-2017 Award Competitive	94.006	14ESHLA0010001	165,384	-
The Michigan Department of Health and Human Services:				
2016-2017 Award	94.006	MACF-17-82364	19,988	-
The State of Missouri:				
2015-2016 Award	94.006	14AFHMO0010011	18,627	-
2016-2017 Award	94.006	15AC175871	124,191	-
The State of Maryland:				-
2015-2016 Award	94.006	15AC168311	68,146	-
2016-2017 Award	94.006	12ACHMD0010006	157,002	-
The State of New Mexico:				-
2015-2016 Award	94.006	15-631-8001-00049C	3,963	-
2016-2017 Award	94.006	16-631-7003-00032C	28,674	-
The State of Ohio:				-
2016-2017 Award	94.006	13ESH-1502-16-OC111	13,655	-
2017-2018 Award	94.006	16ESH-1502-17-OC111	62,902	-
The State of Oklahoma:				-
2016-2017 Fixed Award	94.006	14ESHOK0020001	27,170	-
2017-2018 Fixed Award	94.006	14ESHOK0020001	187,789	-
The State of Pennsylvania:				-
2015-2016 Award	94.006	12ACHPA0010002	27,079	-
2016-2017 Award	94.006	16AFHPA0010005	75,819	-
The State of Rhode Island:				-
2016-2017 Fixed Award	94.006	13ESHRI001	5,091	-
The State of South Carolina:				-
2016-2017 Fixed Award	94.006	14ESHSC0010001	26,822	-
2017-2018 Fixed Award	94.006	14ESHSC0010001	155,185	-
The State of South Dakota:				-
2016-2017 Award	94.006	15ES169445	3,784	-
The State of Tennessee:				-
2015-2016 Award	94.006	13ESHTN0010002	42,153	-
2016-2017 Award	94.006	13ESHTN0010002	115,148	-
2016-2017 Award	94.006	13ESHTN0010004	100,350	-
The State of Texas:				-
2015-2016 Award	94.006	12FXHTX0010005	86,942	-
2016-2017 Award	94.006	15FXHTX0010004	364,320	-
The State of Wisconsin:				-
2016-2017 Fixed Award	94.006	AD149891	8,934	-
2017-2018 Fixed Award	94.006	14ESHWI0010001	83,046	-
			<u>2,833,699</u>	<u>-</u>
Total Corporation for National and Community Service Awards			<u>4,382,379</u>	<u>-</u>

**TEACH FOR AMERICA**  
**Schedule of Expenditures of Federal Awards (continued)**  
**For the year ended May 31, 2017**

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity/ Identifying Number	TFA Federal Expenditures	Amounts Passed Through to Subrecipients
<b>U.S. Department of Education</b>				
Direct Awards:				
Supporting Effective Educators Development (SEED)	84.367D	U367D150021	\$ 9,551,146	\$ 580,531
Pass-through awards:				
New Schools for New Orleans:				
Charter Schools National Activities Competition	84.282N	U282N150020	142,955	-
Charter Schools National Activities Competition	84.282N	U282N150020	<u>23,742</u>	<u>-</u>
Total U.S. Department of Education pass-through awards			<u>166,697</u>	<u>-</u>
Total U.S. Department of Education			<u>9,717,843</u>	<u>580,531</u>
<b>Research and Development:</b>				
<b>National Science Foundation:</b>				
Direct Awards:				
CS10K: Prioritizing and Expanding Access to Computer Science				
Instruction in High-Needs High Schools	47.070	1542737	<u>243,597</u>	<u>41,588</u>
Total National Science Foundation			<u>243,597</u>	<u>41,588</u>
<b>Total expenditures of federal awards</b>			<u>\$ 14,343,819</u>	<u>\$ 622,119</u>

*The accompanying notes to schedule of expenditures of federal awards should be read in conjunction with this schedule.*

**TEACH FOR AMERICA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended May 31, 2017**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting and includes the federal award expenditures of Teach For America, Inc. (“TFA”) for the year ended May 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**2. INDIRECT COSTS**

TFA has elected not to use the 10% de minimus indirect cost rate allowed under Section 200 of the Uniform Guidance.



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Teach For America, Inc. (“TFA”), which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2017.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered TFA’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of TFA’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TFA’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in TFA's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether TFA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Intended purpose**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness TFA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TFA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

New York, New York  
November 29, 2017

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on compliance for the major federal program**

We have audited the compliance of Teach For America, Inc. (“TFA”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended May 31, 2017. TFA’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

**Management’s responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to TFA’s federal programs.

**Auditors’ responsibility**

Our responsibility is to express an opinion on compliance for TFA’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TFA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for TFA’s major federal program. However, our audit does not provide a legal determination of TFA’s compliance.

**Opinion on the major federal program**

In our opinion, Teach For America, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended May 31, 2017.

**Report on internal control over compliance**

Management of TFA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TFA's internal control over compliance with the types of compliance requirements that could have a direct and material effect on its major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TFA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in TFA's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



New York, New York  
November 29, 2017

**TEACH FOR AMERICA**  
**Schedule of Findings and Questioned Costs**  
**For the year ended May 31, 2017**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?  yes  no

**Identification of major program:**

Name of Federal Program or Cluster	Federal CFDA #
Corporation for National and Community Service: AmeriCorps	94.006
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

**TEACH FOR AMERICA**  
**Schedule of Findings and Questioned Costs**  
**For the year ended May 31, 2017**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

None identified.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None identified.

**TEACH FOR AMERICA**  
**Summary Schedule of Prior Audit Findings**  
**For the year ended May 31, 2017**

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There were no prior year audit findings.