

CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULE TOGETHER WITH  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**TEACH FOR AMERICA, INC.**

September 30, 2011 and 2010

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated statements of financial position of Teach for America, Inc. (“Teach for America”) and its subsidiary, Leadership for Educational Equity (“LEE”), (collectively, “TFA”) as of September 30, 2011 and, Teach for America and its subsidiary, Teach for All, Inc. (“Teach for All”) as of September 30, 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of TFA’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teach for America, Inc., and Leadership for Educational Equity, as of September 30, 2011 and Teach for America, Inc. and Teach for All, Inc. as of September 30, 2010, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of TFA as of and for the years ended September 30, 2011 and 2010, taken as a whole. The accompanying supplementary information for the years ended September 30, 2011 and 2010, included on pages 25 through 30, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

*GRANT THORNTON LLP*

New York, New York

February 10, 2012

Teach for America, Inc.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of September 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 31,767,895	\$ 22,495,354
Government grants and contracts receivable	17,115,248	30,163,605
Fee for service receivable	15,595,648	13,841,838
Prepaid expenses and other assets	4,665,508	4,869,234
Contributions receivable, net (Note C)	138,123,861	147,206,862
Other receivables (Note F)	66,670	120,721
Loans receivable from corps members, net of allowance of \$686,284 and \$557,709 in 2011 and 2010, respectively	8,888,097	7,307,445
Investments, at fair value (Note D)	117,494,011	91,697,407
Fixed assets, net (Note E)	<u>39,316,422</u>	<u>30,121,319</u>
Total assets	<u>\$ 373,033,360</u>	<u>\$ 347,823,785</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 18,720,284	\$ 20,287,723
Education awards to corps members (Note G)	1,385,766	1,465,935
Line of credit (Note H)	-	14,000,000
Deferred rent payable and other liabilities (Note I)	<u>1,993,634</u>	<u>2,954,945</u>
Total liabilities	<u>22,099,684</u>	<u>38,708,603</u>
 Commitments and contingencies (Note I)		
Net assets:		
Unrestricted (Note K)	166,970,127	126,549,011
Temporarily restricted (Note J)	94,801,686	103,404,318
Permanently restricted (Note K)	<u>89,161,863</u>	<u>79,161,853</u>
Total net assets	<u>350,933,676</u>	<u>309,115,182</u>
Total liabilities and net assets	<u>\$ 373,033,360</u>	<u>\$ 347,823,785</u>

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

## Teach for America, Inc.

**CONSOLIDATED STATEMENT OF ACTIVITIES**For the year ended September 30, 2011  
(with comparative totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Revenues, gains and other support:					
Contributions	\$ 7,533,595	\$ 175,969,801	\$ 10,000,010	\$ 193,503,406	\$ 153,175,324
Government grants and contracts	42,874,615	-	-	42,874,615	45,995,710
Fee for service	23,198,766	-	-	23,198,766	18,232,410
Special events, net of direct expenses of \$1,066,084 and \$689,439, respectively	3,380,010	-	-	3,380,010	3,767,251
Contributed goods and services (Note L)	4,754,355	-	-	4,754,355	1,978,144
Interest and dividend income (Note D)	6,075	122,687	-	128,762	315,127
Net (depreciation) appreciation in fair value of investments (Note D)	(26,059)	(1,372,661)	-	(1,398,720)	1,840,779
Licensing fees and other revenue	3,626,368	-	-	3,626,368	1,829,122
Net assets released from restrictions (Note J)	176,685,741	(176,685,741)	-	-	-
<b>Total revenues, gains and other support</b>	<b>262,033,466</b>	<b>(1,965,914)</b>	<b>10,000,010</b>	<b>270,067,562</b>	<b>227,133,867</b>
Expenses:					
Program services:					
Teacher recruitment and selection	37,651,869	-	-	37,651,869	25,202,393
Pre-service institute	33,112,266	-	-	33,112,266	29,164,662
Placement, professional development, education awards, and other	91,817,578	-	-	91,817,578	83,405,337
Alumni affairs	20,532,707	-	-	20,532,707	13,512,240
<b>Total program services</b>	<b>183,114,420</b>	<b>-</b>	<b>-</b>	<b>183,114,420</b>	<b>151,284,632</b>
Supporting services:					
Management and general	14,450,804	-	-	14,450,804	17,509,606
Fundraising	21,624,070	-	-	21,624,070	16,588,882
<b>Total supporting services</b>	<b>36,074,874</b>	<b>-</b>	<b>-</b>	<b>36,074,874</b>	<b>34,098,488</b>
<b>Total expenses</b>	<b>219,189,294</b>	<b>-</b>	<b>-</b>	<b>219,189,294</b>	<b>185,383,120</b>
<b>Increase (decrease) in net assets</b>	<b>42,844,172</b>	<b>(1,965,914)</b>	<b>10,000,010</b>	<b>50,878,268</b>	<b>41,750,747</b>
Transfer of net assets - deconsolidation of Teach for All, Inc.	(2,423,056)	(6,848,686)	-	(9,271,742)	-
Transfer of net assets - consolidation of Leadership for Educational Equity	-	211,968	-	211,968	-
<b>Change in net assets</b>	<b>40,421,116</b>	<b>(8,602,632)</b>	<b>10,000,010</b>	<b>41,818,494</b>	<b>41,750,747</b>
Net assets, beginning of year	126,549,011	103,404,318	79,161,853	309,115,182	267,364,435
<b>Net assets, end of year</b>	<b>\$ 166,970,127</b>	<b>\$ 94,801,686</b>	<b>\$ 89,161,863</b>	<b>\$ 350,933,676</b>	<b>\$ 309,115,182</b>

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

## Teach for America, Inc.

**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the year ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	\$ 10,855,987	\$ 132,319,327	\$ 10,000,010	\$ 153,175,324
Government grants and contracts	45,995,710	-	-	45,995,710
Fee for service	18,232,410	-	-	18,232,410
Special events, net of direct expenses of \$689,439 and \$429,861 respectively	3,767,251	-	-	3,767,251
Contributed goods and services (Note L)	1,978,144	-	-	1,978,144
Interest and dividend income (Note D)	168,232	146,895	-	315,127
Net appreciation in fair value of investments (Note D)	61,851	1,778,928	-	1,840,779
Licensing fees and other revenue	1,829,122	-	-	1,829,122
Net assets released from restrictions (Note J)	143,396,458	(143,396,458)	-	-
	<u>226,285,165</u>	<u>(9,151,308)</u>	<u>10,000,010</u>	<u>227,133,867</u>
Total revenues, gains and other support				
Expenses:				
Program services:				
Teacher recruitment and selection	25,202,393	-	-	25,202,393
Pre-service institute	29,164,662	-	-	29,164,662
Placement, professional development, education awards, and other	83,405,337	-	-	83,405,337
Alumni affairs	13,512,240	-	-	13,512,240
	<u>151,284,632</u>	<u>-</u>	<u>-</u>	<u>151,284,632</u>
Total program services				
Supporting services:				
Management and general	17,509,606	-	-	17,509,606
Fundraising	16,588,882	-	-	16,588,882
Total supporting services	34,098,488	-	-	34,098,488
	<u>185,383,120</u>	<u>-</u>	<u>-</u>	<u>185,383,120</u>
Total expenses				
Changes in net assets	40,902,045	(9,151,308)	10,000,010	41,750,747
Net assets, beginning of year	85,646,966	112,555,626	69,161,843	267,364,435
Net assets, end of year	<u>\$ 126,549,011</u>	<u>\$ 103,404,318</u>	<u>\$ 79,161,853</u>	<u>\$ 309,115,182</u>

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

Teach for America, Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	<b>\$ 41,818,494</b>	\$ 41,750,747
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Transfer of net assets - deconsolidation of Teach for All, Inc.	<b>9,271,742</b>	-
Transfer of net assets - consolidation of Leadership for Educational Equity	<b>(211,968)</b>	-
Depreciation and amortization	<b>14,696,670</b>	10,427,482
Depreciation (appreciation) in fair value of investments	<b>1,398,720</b>	(1,840,779)
Change in present value of contribution receivable	<b>(800,535)</b>	(1,162,298)
Contributed investment securities	<b>(7,058,241)</b>	(5,598,444)
Permanently restricted contributions	<b>(10,000,010)</b>	(10,000,010)
Loss on disposal of fixed assets	-	51,544
Proceeds from sale of fixed assets	-	64,221
Change in allowance for doubtful accounts	<b>78,656</b>	(665,816)
Changes in operating assets and liabilities:		
Decrease (increase) in government grants and contracts receivable	<b>13,048,357</b>	(5,755,062)
Increase in fee for service receivable	<b>(1,753,810)</b>	(3,125,573)
Decrease (increase) in prepaid expense and other assets	<b>156,878</b>	(3,727,780)
Decrease in contributions receivable	<b>182,046</b>	22,628,476
Decrease (increase) in other receivables	<b>54,051</b>	(72,136)
(Decrease) increase in accounts payable and accrued expenses	<b>(914,838)</b>	9,631,288
Decrease in education awards to corps members	<b>(80,169)</b>	(85,675)
(Decrease) increase in deferred rent payable and other liabilities	<b>(875,431)</b>	372,689
Net cash provided by operating activities	<b><u>59,010,612</u></b>	<u>52,892,874</u>
Cash flows from investing activities:		
Loans to corps members	<b>(6,307,970)</b>	(5,107,259)
Repayments of loans from corps members	<b>4,598,745</b>	3,948,521
Proceeds from the sale of investments	<b>38,635,353</b>	35,571,997
Purchase of investments	<b>(58,772,436)</b>	(62,040,674)
Purchase of fixed assets	<b>(23,891,773)</b>	(14,260,830)
Net cash used in investing activities	<b><u>(45,738,081)</u></b>	<u>(41,888,245)</u>
Cash flows from financing activities:		
(Payments) proceeds from line of credit, net	<b>(14,000,000)</b>	(16,000,000)
Permanently restricted contributions	<b>10,000,010</b>	10,000,010
Net cash used in financing activities	<b><u>(3,999,990)</u></b>	<u>(5,999,990)</u>
Net increase in cash and cash equivalents	<b>9,272,541</b>	5,004,639
Cash and cash equivalents, beginning of year	<b><u>22,495,354</u></b>	<u>17,490,715</u>
Cash and cash equivalents, end of year	<b><u>\$ 31,767,895</u></b>	<u>\$ 22,495,354</u>
Supplemental disclosure:		
Cash paid for interest	<b><u>\$ 180,619</u></b>	<u>\$ 303,780</u>

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

### NOTE A - ORGANIZATION AND NATURE OF OPERATIONS

Teach for America, Inc., (“Teach for America”) is a not-for-profit corporation incorporated in the State of Connecticut on October 6, 1989. Teach for All, Inc., (“Teach for All”) is a not-for-profit corporation incorporated in the State of New York on February 29, 2008. Leadership for Educational Equity, (“LEE”) is a not-for-profit corporation incorporated in the State of New York on October 23, 2006.

Teach for America 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. Teach for America 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. Teach for America also coordinates an alumni affairs department to keep corps members connected to each other and to its mission.

Teach for All is a global network of national organizations working to expand educational opportunity in their countries through enlisting their nations’ most promising future leaders in the effort. These organizations recruit leaders of all academic disciplines to commit two years to teach in high-need areas and to work throughout their lives, both within and outside of education, to address the root causes of educational need. Teach for All seeks to increase and accelerate the impact of these organizations by providing direct services and fostering a powerful network among its partners and their participants with the goal of maximizing their impact on sale, student achievement and alumni leadership, and organizational strength. On October 7, 2010, Teach for All was re-incorporated as a separate not-for-profit corporation under New York corporate law, and as of that date are no longer controlled by Teach for America. Accordingly, beginning with the fiscal year ended September 30, 2011, Teach for All will no longer be consolidated with Teach for America. Consequently, the effects of this separation are presented in the accompanying fiscal 2011 consolidated statement of activities as a transfer of net assets and, the respective changes in assets and liabilities, included in the statement of cash flows.

LEE’s mission is to enable Teach For America Corps Members and Alumni to realize high impact careers in public leadership by: (1) educating LEE members about the policy, advocacy and political landscape in their region and in the nation so they are inspired and ready to participate politically and civically; (2) equipping LEE members with the skills, resources, and experiences to successfully pursue public leadership positions; (3) helping LEE members become highly effective change agents for educational equity once in positions of leadership; and (4) fostering a thriving LEE community in which members support one another in pursuing public leadership and actively engage around political and civic matters.

At September 30, 2011, Teach for America and LEE were separate legal entities that share similar board members and officers. Both are exempt from corporate federal income tax. Teach for America is exempt under Section 501(c)(3) of the Internal Revenue Code and LEE is exempt under Section 501(c)(4) of the Internal Revenue Code and similar state provisions.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Basis of Presentation*

The accompanying consolidated financial statements include the accounts of Teach for America as of and for the year ended September 30, 2011 and LEE as of and for the year ended December 31, 2011 (collectively, "TFA") and 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 organizations. All significant intercompany transactions have been eliminated in consolidation.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TFA and changes therein are classified and reported as follows:

*Unrestricted* - Net assets that 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 and cash reserves, in the event TFA experiences a cash shortfall. At September 30, 2011 and 2010, the total amount of board-designated net assets authorized to function as endowments were \$44,250,346 and \$37,203,779, respectively, (Note K).

*Temporarily restricted* - 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 J).

*Permanently restricted* - Include net assets subject to donor-imposed stipulations that require endowment funds to be maintained as funds of a permanent duration (Note K). The income derived from permanently restricted net assets is available for general or specific 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE B (continued)**

2. *Fair Value Measurements*

TFA follows guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments categorized as Level 1 include listed equities held in the entity's name and exclude listed equities and other securities held indirectly through commingled funds.

Level 2: Pricing inputs including broker quotes other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the date of the consolidated statements of financial position or in the near term, which is generally considered to be within 90 days.

Level 3: Pricing inputs are unobservable and include situations where there is little, if any, market activity for those assets or liabilities. Fair value measurement for these financial instruments require significant management judgment or estimation. Investments that are categorized as Level 3 generally include privately held investments and partnership interests. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

In 2010, TFA adopted new guidance related to fair value measurements and disclosure of investments in certain entities that do not have a quoted market price but that calculate NAV per share or its equivalent. As a practical expedient, the guidance permits, but does not require TFA to measure fair value of an investment in an investee within the scope of the amendments based on the investee's NAV per share or its equivalent. As a result of applying the practical expedient, the fair value of certain of TFA's investments in alternative investments was determined based on the

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE B (continued)**

reported NAV beginning with the September 30, 2010 valuation. The adoption of this guidance did not have a material impact on the fair value of applicable investments; however, the use of the practical expedient required additional disclosures (Note D).

3. *Functional Allocation of Expenses*

The costs of providing TFA's programs and supporting services have been summarized on a functional basis in the accompanying consolidated 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 consists of scheduling and attending on- and off-campus recruiting events, processing applications (approximately 48,000 in 2011 and 46,000 in 2010), and conducting day-long interview sessions in multiple sites across the country. TFA had approximately 5,100 and 4,500 new corps members, who began their Fall teaching assignments in 2011 and 2010, respectively.

*Pre-Service Institute*

For incoming corps members, TFA conducts intensive summer training institutes held on various university campuses. In 2011, institutes were held at eight campuses: University of Houston, Temple University, Loyola Marymount University, St. John's University, Georgia Institute of Technology, Arizona State University, Illinois Institute of Technology and Delta State University. As part of TFA's ongoing relationship with the: Houston Independent School District; Los Angeles Unified School District; the School District of Philadelphia; Atlanta Public Schools; the New York City Department of Education; Phoenix Public Schools; Chicago Public Schools; and Mississippi Delta Public Schools, corps members teach students who are enrolled in Houston, Los Angeles, Philadelphia, Atlanta, New York City, Phoenix, Chicago and Mississippi Delta public summer school programs.

*Placement, Professional Development, Education Awards, 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. In 2011 and 2010, TFA placed corps members in 43 and 39 regions, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE B (continued)**

*Alumni Affairs*

TFA has an alumni base of former corps members all over the world. These individuals present a powerful opportunity to continue to impact the education community through management and government positions. In recognition of the importance of its alumni base, TFA increased its budget for alumni affairs in fiscal 2011.

4. *Cash and Cash Equivalents*

Cash and cash equivalents include cash and short-term investments, with original maturities of three months or less, which are not under investment management for long-term purposes.

5. *Investments*

Investments in equity securities with readily determinable fair values are measured at fair value in the accompanying consolidated statements of financial position and reported based on quoted market prices. Reported fair values for alternative investments 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.

Because TFA's alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been reported had a ready market for such investments existed. Due to inherent risks and potential subjectivity of investment valuations, the amounts reported in the accompanying consolidated financial statements can vary substantially from settlement amounts resulting from sale or exchange of such investments and, such differences could be material.

6. *Contributions*

Contributions, including unconditional promises to give, are reported as revenues in the period received or pledged based upon donor restriction, if any. Contributions to be received after one year are discounted using a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. Contributions of assets other than cash, including goods and services, are recorded at their estimated fair value at the date of contribution.

7. *Special Events Revenue*

Revenue and expenses related to special events are recognized upon occurrence of the respective event and, are presented net of direct expenses in the accompanying statements of activities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE B (continued)**

8. *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 their school districts. TFA recognizes revenue related to these contractual agreements as earned, that is, when the school district places a corps member.

9. *Loans Receivable*

Loans receivable are recorded at their net realizable values and are generally due over a period of 1 to 2 years.

10. *Government Grants and Contracts*

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred or services rendered under such agreements.

11. *Allowances for Doubtful Accounts*

Allowances for doubtful accounts are provided based upon management's judgment including such factors as prior collection history and type of receivable. Receivables are written-off when deemed uncollectible. Payments, if any, subsequently received on previously reserved receivables are applied to the allowance for doubtful accounts.

12. *Fixed Assets*

Computer equipment and software and furniture, fixtures, and office equipment with a unit cost in excess of \$2,500 are recorded at cost and depreciated on a straight-line basis over an estimated useful life ranging from three to five years. Leasehold improvements with a unit cost in excess of \$2,500 are recorded at cost and amortized on a straight-line basis over the lesser of the economic useful life of the respective asset or the remaining lease term.

13. *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 standard provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure and, had no material

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE B (continued)**

impact on the accompanying consolidated financial statements. The tax years ended 2008, 2009, and 2010 are still open to audit for both federal and state purposes. TFA has processes presently in place to ensure the maintenance of its tax-exempt status; identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and identify and evaluate other matters that may be considered tax positions.

*14. 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. At certain times, TFA's bank balances may 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 with several investment managers in a variety of asset classes. TFA regularly evaluates its depository arrangements and investments, including performance thereof. TFA believes that its credit risks are not significant. In addition, TFA received 18% and 27%, respectively, of its contributions from its Board members during the years ended September 30, 2011 and 2010.

*15. Use of Estimates*

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The more significant estimates include the determination of allowances for doubtful accounts; fair value measurement of investments that have no ready market; and estimated useful lives of capital assets. Actual results could differ from those estimates.

**NOTE C - CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable at September 30, 2011 and 2010, were scheduled to be collected as follows:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 93,714,657	\$ 87,637,959
One to five years	<u>46,332,787</u>	<u>62,367,862</u>
	140,047,444	150,005,821
Less: discount to present value ranging from 3.125% to 4.590%	<u>(542,593)</u>	<u>(1,298,901)</u>
	139,504,851	147,706,920
Less: allowance for doubtful accounts	<u>(1,380,990)</u>	<u>(1,500,058)</u>
	<u>\$ 138,123,861</u>	<u>\$ 147,206,862</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE C (continued)**

TFA has also been notified of certain intentions to give. However, these amounts have not been recorded in the accompanying consolidated financial statements due to their conditional nature (e.g. challenge grants).

**NOTE D - INVESTMENTS, AT FAIR VALUE**

At September 30, 2011 and 2010, TFA's investments consisted of the following:

	<u>2011</u>	<u>2010</u>
Money market funds	<b>\$ 44,808,362</b>	\$ 58,589,684
Equities	<b>8,363,821</b>	4,335,287
Limited partnerships	<b><u>64,321,828</u></b>	<u>28,772,436</u>
	<b><u>\$ 117,494,011</u></b>	<u>\$ 91,697,407</u>

The following table summarizes investments by level, within the fair value hierarchy as of September 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 44,808,362	\$ -	\$ -	<b>\$ 44,808,362</b>
Equities	8,363,821	-	-	<b>8,363,821</b>
Limited partnerships	<u>-</u>	<u>-</u>	<u>64,321,828</u>	<b><u>64,321,828</u></b>
Total	<b><u>\$ 53,172,183</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 64,321,828</u></b>	<b><u>\$ 117,494,011</u></b>

The following table summarizes the changes in fair values associated with Level 3 assets as of September 30, 2011:

	<u>Limited Partnerships</u>
Balance as of October 1, 2010	\$ 28,772,436
Purchases	35,720,000
Unrealized losses	<u>(170,608)</u>
<b>Balance as of September 30, 2011</b>	<b><u>\$ 64,321,828</u></b>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE D (continued)**

The following table summarizes investments by level, within the fair value hierarchy as of September 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$58,589,684	\$ -	\$ -	<b>\$ 58,589,684</b>
Equities	4,335,287	-	-	<b>4,335,287</b>
Limited partnerships	<u>-</u>	<u>-</u>	<u>28,772,436</u>	<b><u>28,772,436</u></b>
Total	<b><u>\$ 62,924,971</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 28,772,436</u></b>	<b><u>\$ 91,697,407</u></b>

The following table summarizes the changes in fair values associated with Level 3 assets as of September 30, 2010:

	<u>Limited Partnerships</u>
Balance as of October 1, 2009	\$ 9,281,836
Purchases	18,000,000
Unrealized gains	<u>1,490,600</u>
<b>Balance as of September 30, 2010</b>	<b><u>\$ 28,772,436</u></b>

At September 30, 2011 and 2010, TFA's investment returns consisted of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	<b>\$ 128,762</b>	\$ 315,127
(Loss) gain in fair value of investments	<b>(957,988)</b>	1,968,208
Investment fees	<u>(440,732)</u>	<u>(127,429)</u>
Net (depreciation) appreciation in fair value of investments	<b><u>(1,398,720)</u></b>	<u>1,840,779</u>
Total investment return	<b><u>\$ (1,269,958)</u></b>	<b><u>\$ 2,155,906</u></b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE D (continued)**

TFA uses the Net Asset Value (NAV) per share to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investments company or have the attributes of an investments company. The following table lists investments by major NAV category as of September 30, 2011 and 2010:

2011								
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Drawdown Commitments	Redemption Terms	Redemption Restrictions
Limited partnerships	Invests in hedge funds, private equity and pooled accounts seeking long-term diversified growth	\$64,321,828	2	N/A	No such commitments	N/A	Quarterly and Annually	Lock up periods of up to 2 years

  

2010								
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Drawdown Commitments	Redemption Terms	Redemption Restrictions
Limited partnerships	Invests in hedge funds, private equity and pooled accounts seeking long-term diversified growth	\$28,772,436	2	N/A	No such commitments	N/A	Quarterly and Annually	Lock up periods of up to 2 years

**NOTE E - FIXED ASSETS, NET**

Fixed assets at September 30, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Computer equipment and software	\$ 57,849,344	\$ 36,069,766
Furniture, fixtures and office equipment	5,226,135	4,273,451
Leasehold improvements	<u>14,665,158</u>	<u>12,711,614</u>
	77,740,637	53,054,831
Less: accumulated depreciation and amortization	<u>(38,734,000)</u>	<u>(24,048,522)</u>
	39,006,637	29,006,309
Construction-in-progress	<u>309,785</u>	<u>1,115,010</u>
	<u>\$ 39,316,422</u>	<u>\$ 30,121,319</u>

Depreciation and amortization expense was \$14,696,670 and \$10,427,482 for the years ended September 30, 2011 and 2010, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

September 30, 2011 and 2010

### NOTE F - RELATED PARTY TRANSACTIONS

During 2008, Teach for America entered into a Resource Sharing and Expense Reimbursement Agreement with LEE, a related party created for Teach for America corps members and alumni who are interested in public policy in attaining educational equity. The agreement states that LEE shall pay Teach for America for all direct expenses incurred by Teach for America on LEE's behalf and that LEE shall pay a pro-rata share of Teach for America's overhead expenses. In addition, LEE agrees 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 Teach for America's tax-exempt purposes and not to jeopardize Teach for America's compliance with federal and state laws. During the year ended September 30, 2011 LEE qualified as an entity that is required to be consolidated under, "Not-for-Profit Entities" guidance. As of September 30, 2011 and 2010, amounts owed to Teach for America from this related party totaled approximately \$30,467 and \$30,100, respectively. As of September 30, 2011, this amount was eliminated during consolidation.

Teach for America also has a Resource Sharing and Expense Reimbursement Agreement with Teach for All, a related party created to expand educational opportunity in other countries. This agreement also states that Teach for All shall pay Teach for America for all direct expenses incurred by Teach for America on Teach for All's behalf and that Teach for All shall pay a pro-rata share of Teach for America's overhead expenses. Amounts owed to Teach for America from this related party totaled approximately \$80,500 and \$128,000, respectively.

### NOTE G - EDUCATION AWARDS DUE TO CORPS MEMBERS

In 2004, TFA established the Teach for America Education Awards (the "awards") for eligible corps members who successfully completed the 2004-2005 school year. The awards were intended to mirror the awards previously provided by the Corporation for National Service. To date, approximately 1,800 corps members were granted awards in varying amounts up to \$4,725 that can be applied to pay student loans or educational expenses. At September 30, 2011 and 2010, approximately \$1,386,000 and \$1,466,000, respectively, still remained to be disbursed. The awards are payable until July 2012, at which time these awards will expire.

### NOTE H - LINE OF CREDIT

On June 30, 2011, TFA amended its line of credit agreement with Wells Fargo Bank (formerly Wachovia Bank) originally dated August 10, 2009, to change the maturity date to July 2, 2012. This credit facility bears interest at the LIBOR market index rate plus 1.50% per annum for 2011 (1.747% at September 30, 2011 and 2010) and requires adherence to the following financial covenants:

- Maintain at all times liquid assets and current contributions receivables having an aggregate value of not less than \$33 million;
- Maintain a ratio of total liabilities to unrestricted net assets not to exceed one to one; and
- Pay down the outstanding balance in its entirety for 30 consecutive days annually.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE H (continued)**

At September 30, 2011 and 2010, Teach for America had \$0 and \$14,000,000, respectively, drawn down its line of credit and, was in compliance with the above covenants.

**NOTE I – COMMITMENTS AND CONTINGENCIES***Operating Leases*

TFA has entered into a noncancelable lease agreement for office space for its national headquarters, expiring in January 2019. Additionally, TFA has 45 lease agreements for office space for its regional offices, expiring at various times. TFA also has various lease agreements for office equipment at its regional offices and New York office, expiring on various dates.

Future minimum lease payments under all noncancelable leases, follow:

Year ending September 30:	<u>Office Space</u>	<u>Equipment</u>
2012	\$ 7,048,053	\$ 358,162
2013	6,517,439	226,215
2014	5,128,921	98,693
2015	3,145,588	42,551
2016 and thereafter	<u>5,282,369</u>	<u>3,291</u>
Total	<u>\$ 27,122,370</u>	<u>\$ 728,912</u>

Total rent expense approximated \$7,000,000 and \$6,900,000 for the years ended September 30, 2011 and 2010, respectively.

*Deferred Rent Payable*

Certain operating leases contain escalation clauses for base rentals. Accordingly, TFA has recorded the straight-line effects of such escalations and recognized a deferred rent liability within deferred rent payable and other liabilities in the consolidated statements of financial position of approximately \$1.7 million and \$2 million at September 30, 2011 and 2010, 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 consolidated financial position, changes in net assets or cash flows.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE I (continued)**

TFA received and expends resources in connection with its administration of federal and other governmental grants and contracts. The terms of these agreements generally allow granting agencies the right to audit costs incurred thereunder and, potentially disallow a portion thereof and/or adjust funding on a prospective basis. In the opinion of management, audit adjustments, if any, are not expected to have a significant effect on the accompanying consolidated financial statements.

**NOTE J - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were restricted for the following purposes at September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
For use in future periods for:		
Expansion	\$ 17,255,040	\$ 32,053,334
Teacher recruitment and selection, placement, professional development, education awards and other	<u>77,546,646</u>	<u>71,350,984</u>
	<u>\$ 94,801,686</u>	<u>\$ 103,404,318</u>

Net assets released from restrictions by incurring expenses satisfying purpose or time restrictions during the years ended September 30, 2011 and 2010, follow:

	<u>2011</u>	<u>2010</u>
Expansion	\$ 18,379,915	\$ 26,633,581
Teacher recruitment and selection, placement, professional development, education awards and other	<u>158,305,826</u>	<u>116,762,877</u>
	<u>\$ 176,685,741</u>	<u>\$ 143,396,458</u>

**NOTE K - ENDOWMENT NET ASSETS**

TFA's endowment consists of several individual funds established for different purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by US GAAP, 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE K (continued)**

*Interpretation of Relevant Law*

Effective October 1, 2007, the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as enacted by the State of Connecticut applies to all institutional funds of Teach for America unless the donor has specifically directed otherwise. Under UPMIFA, an “endowment fund” is defined as a fund that, under the terms of the gift instrument, is not fully expendable on a current basis. The Board of Directors of Teach for America has interpreted UPMIFA as requiring the preservation of so much of such a donor-restricted endowment fund as is directed by the donor in the gift instrument. Where the donor’s intent is not clearly articulated in the written instrument, the Board of Directors of Teach for America interprets UPMIFA as allowing the expenditure of only that amount which is prudent for the uses, benefits, purposes and duration for which the endowment was established, taking into account the following factors:

1. The duration and preservation of the endowment fund.
2. The purposes of Teach for America 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 Teach for America.
7. The investment policies of Teach for America.

Teach for America classifies as permanently restricted net assets the amount of the assets in a donor-restricted “endowment fund” that may not be expended according to the factors described above. 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 Teach for America in a manner consistent with the standard of prudence prescribed by UPMIFA.

Prior to October 1, 2007, the date that UPMIFA became effective in Connecticut, the Board of Directors of Teach for America interpreted the predecessor statute as requiring the preservation of the “historic dollar value” of the original gift as of the date of gift for donor-restricted endowment funds in the absence of explicit donor stipulations to the contrary. As a result of such interpretation, Teach for America previously classified as permanently restricted net assets the original value of donor-restricted endowment funds, the original value of subsequent gifts to donor-restricted endowment funds and the value of accumulations, if any, to such funds made in accordance with the direction of the applicable gift instrument at the time the relevant accumulation was added to the fund.

*Spending Policy*

For the year ended September 30, 2011 and 2010, the Board of Directors of Teach for America determined that there would be no distributions from its endowments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE K (continued)**

In subsequent years, and upon authorization from the Board of Directors, spending will be 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 36 months ending on the date six months prior to the start of the fiscal year (i.e., for fiscal 2012, which begins on October 1<sup>st</sup> this would be the 36 months ending April 1<sup>st</sup>).
- 30% of the long-term spending rate of 5%, multiplied by the average market value of the endowment over the 36 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 perpetuity or for a specified term to support future operations.

*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 must be held in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, Teach for America 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). Teach for America 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE K (continued)**

Endowment net asset composition, excluding pledges receivable, as of September 30, 2011, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 44,250,346	\$ -	\$ -	<b>\$ 44,250,346</b>
Donor-restricted endowment funds	<u>-</u>	<u>4,081,802</u>	<u>69,161,863</u>	<u><b>73,243,665</b></u>
Total	<u>\$ 44,250,346</u>	<u>\$ 4,081,802</u>	<u>\$ 69,161,863</u>	<u><b>\$117,494,011</b></u>

Changes in endowment net assets for the fiscal year ended September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 37,203,779	\$ 5,331,775	\$ 49,161,853	<b>\$ 91,697,407</b>
Investment return:				
Investment income	6,075	122,687	-	<b>128,762</b>
Net appreciation (realized and unrealized)	<u>(26,059)</u>	<u>(1,372,661)</u>	<u>-</u>	<u><b>(1,398,720)</b></u>
Total investment return	(19,984)	(1,249,974)	-	<b>-</b>
Contributions	-	-	20,000,010	<b>20,000,010</b>
Board-designated additions	<u>7,066,552</u>	<u>-</u>	<u>-</u>	<u><b>7,066,552</b></u>
Endowment net assets, end of year	<u>\$ 44,250,346</u>	<u>\$ 4,081,802</u>	<u>\$ 69,161,863</u>	<u><b>\$ 117,494,011</b></u>

The permanently restricted contributions of \$20,100,010 for the year ended September 30, 2011 consists of a \$10,000,010 pledge payment for a receivable outstanding as of September 30, 2010, a \$5 million fiscal 2011 gift and a \$5 million fiscal 2011 matching gift.

Permanently restricted net assets at September 30, 2011:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA

**\$ 69,161,863**



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE K (continued)**

Endowment net asset composition, excluding pledges receivable, as of September 30, 2010, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 37,203,779	\$ -	\$ -	\$ 37,203,779
Donor-restricted endowment funds	<u>-</u>	<u>5,331,775</u>	<u>49,161,853</u>	<u>54,493,628</u>
Total	<u>\$ 37,203,779</u>	<u>\$ 5,331,775</u>	<u>\$ 49,161,853</u>	<u>\$ 91,697,407</u>

Changes in endowment net assets for the fiscal year ended September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 26,648,777	\$ 1,978,887	\$ 29,161,843	\$ 57,789,507
Investment return:				
Investment income	157,929	29,769	-	187,698
Net appreciation (realized and unrealized)	<u>72,154</u>	<u>1,896,054</u>	-	<u>1,968,208</u>
Total investment return	230,083	1,925,823	-	2,155,906
Contributions	-	-	20,000,010	20,000,010
Board-designated additions	10,324,919	-	-	10,324,919
Other	<u>-</u>	<u>1,427,065</u>	<u>-</u>	<u>1,427,065</u>
Endowment net assets, end of year	<u>\$ 37,203,779</u>	<u>\$ 5,331,775</u>	<u>\$ 49,161,853</u>	<u>\$ 91,697,407</u>

The permanently restricted contributions of \$20,100,010 for the year ended September 30, 2010 consisted of a \$10,000,010 pledge payment for a receivable outstanding as of September 30, 2009, a \$5 million fiscal 2011 gift and a \$5 million fiscal 2011 matching gift.

Permanently restricted net assets at September 30, 2010:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA

**\$ 49,161,853**

Permanently restricted net assets of \$69,161,863 and \$49,161,853 at September 30, 2011 and 2010, respectively, provided investment returns to support general operating purposes, as per donor intent, none of which were appropriated by the Board of Directors for expenditure.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

September 30, 2011 and 2010

**NOTE L - CONTRIBUTED GOODS AND SERVICES**

Contributed goods and services for the years ended September 30, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Computers and equipment	\$ 4,383,045	\$ 169,636
Professional fees	9,404	1,087,528
Legal	242,082	347,007
Software	-	279,000
Facilities	11,118	20,931
Supplies	72,529	4,341
Event services	36,095	51,201
Other	82	18,500
	<u>\$ 4,754,355</u>	<u>\$ 1,978,144</u>

**NOTE M - 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 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 \$3,101,000 and \$2,533,000 for the years ended September 30, 2011 and 2010, respectively.

**NOTE N - SUBSEQUENT EVENTS**

TFA evaluated its September 30, 2011 consolidated financial statements for subsequent events through February 10, 2012, the date the consolidated financial statements were available to be issued. TFA is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

Teach for America, Inc. and Leadership for Educational Equity

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

As of September 30, 2011

<u>ASSETS</u>	Teach for America, Inc.	Leadership for Educational Equity	Eliminations	<u>Total</u>
Cash and cash equivalents	\$ 31,536,694	\$ 231,201	\$ -	\$ 31,767,895
Government grants receivable	17,115,248	-	-	17,115,248
Fee for service receivable	15,595,648	-	-	15,595,648
Prepaid expenses and other assets	4,665,508	-	-	4,665,508
Contributions receivable, net	137,942,795	181,066	-	138,123,861
Other receivables	81,829	15,308	(30,467)	66,670
Loans receivable from corps members, net	8,888,097	-	-	8,888,097
Investments, at fair value	117,494,011	-	-	117,494,011
Fixed assets	<u>39,283,422</u>	<u>33,000</u>	<u>-</u>	<u>39,316,422</u>
Total assets	<u>\$ 372,603,252</u>	<u>\$ 460,575</u>	<u>\$ (30,467)</u>	<u>\$ 373,033,360</u>
 <u>LIABILITIES AND NET ASSETS</u> 				
Liabilities:				
Accounts payable and accrued expenses	\$ 18,556,294	\$ 163,990	\$ -	\$ 18,720,284
Education awards to corps members	1,385,766	-	-	1,385,766
Deferred rent and other liabilities	<u>1,974,084</u>	<u>50,017</u>	<u>(30,467)</u>	<u>1,993,634</u>
Total liabilities	<u>21,916,144</u>	<u>214,007</u>	<u>(30,467)</u>	<u>22,099,684</u>
Net assets:				
Unrestricted	166,396,200	-	573,927	166,970,127
Temporarily restricted	95,129,045	246,568	(573,927)	94,801,686
Permanently restricted	<u>89,161,863</u>	<u>-</u>	<u>-</u>	<u>89,161,863</u>
Total net assets	<u>350,687,108</u>	<u>246,568</u>	<u>-</u>	<u>350,933,676</u>
Total liabilities and net assets	<u>\$ 372,603,252</u>	<u>\$ 460,575</u>	<u>\$ (30,467)</u>	<u>\$ 373,033,360</u>

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

Teach for America, Inc. and Teach for All, Inc.

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

As of September 30, 2010

<u>ASSETS</u>	Teach for America, Inc.	Teach for All, Inc.	Eliminations	Total
Cash and cash equivalents	\$ 19,381,808	\$ 3,113,546	\$ -	\$ 22,495,354
Government grants receivable	30,163,605	-	-	30,163,605
Fee for service receivable	13,841,838	-	-	13,841,838
Prepaid expenses and other assets	4,820,387	48,847	-	4,869,234
Contributions receivable, net	140,369,761	6,837,101	-	147,206,862
Other receivables	248,961	-	(128,240)	120,721
Loans receivable from corps members, net	7,307,445	-	-	7,307,445
Investments, at fair value	91,697,407	-	-	91,697,407
Fixed assets	30,068,230	53,089	-	30,121,319
	<u>\$ 337,899,442</u>	<u>\$ 10,052,583</u>	<u>\$ (128,240)</u>	<u>\$ 347,823,785</u>
Total assets				
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 19,635,122	\$ 652,601	\$ -	\$ 20,287,723
Education awards due to corps members	1,465,935	-	-	1,465,935
Line of credit	14,000,000	-	-	14,000,000
Deferred rent and other liabilities	2,954,945	128,240	(128,240)	2,954,945
	<u>38,056,002</u>	<u>780,841</u>	<u>(128,240)</u>	<u>38,708,603</u>
Total liabilities				
Net assets:				
Unrestricted	124,125,955	2,423,056	-	126,549,011
Temporarily restricted	96,555,632	6,848,686	-	103,404,318
Permanently restricted	79,161,853	-	-	79,161,853
	<u>299,843,440</u>	<u>9,271,742</u>	<u>-</u>	<u>309,115,182</u>
Total net assets				
Total liabilities and net assets	<u>\$ 337,899,442</u>	<u>\$ 10,052,583</u>	<u>\$ (128,240)</u>	<u>\$ 347,823,785</u>

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

Teach for America, Inc. and Leadership for Educational Equity

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended September 30, 2011

	Teach for America, Inc.				Leadership for Educational Equity				Eliminations		Consolidated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:														
Contributions	\$ 7,533,595	\$ 175,265,006	\$ 10,000,010	\$ 192,798,611	\$ -	\$ 1,278,722	\$ -	\$ 1,278,722	\$ -	\$ (573,927)	\$ 7,533,595	\$ 175,969,801	\$ 10,000,010	\$ 193,503,406
Government grants and contracts	42,874,615	-	-	42,874,615	-	-	-	-	-	-	42,874,615	-	-	42,874,615
Fee for service	23,198,766	-	-	23,198,766	-	-	-	-	-	-	23,198,766	-	-	23,198,766
Special events, net	3,380,010	-	-	3,380,010	-	-	-	-	-	-	3,380,010	-	-	3,380,010
Contributed goods and services	4,754,355	-	-	4,754,355	-	-	-	-	-	-	4,754,355	-	-	4,754,355
Interest and dividend income, net	6,075	122,687	-	128,762	-	-	-	-	-	-	6,075	122,687	-	128,762
Net depreciation in fair value of investments	(26,059)	(1,372,661)	-	(1,398,720)	-	-	-	-	-	-	(26,059)	(1,372,661)	-	(1,398,720)
Licensing fees and other revenue	3,626,368	-	-	3,626,368	-	-	-	-	-	-	3,626,368	-	-	3,626,368
Net assets released from restriction	175,441,619	(175,441,619)	-	-	1,244,122	(1,244,122)	-	-	-	-	176,685,741	(176,685,741)	-	-
Total revenue, gains and other support	260,789,344	(1,426,587)	10,000,010	269,362,767	1,244,122	34,600	-	1,278,722	-	(573,927)	262,033,466	(1,965,914)	10,000,010	270,067,562
Expenses:														
Program services:														
Teacher recruitment and selection	37,651,869	-	-	37,651,869	-	-	-	-	-	-	37,651,869	-	-	37,651,869
Pre-service institute	33,112,266	-	-	33,112,266	-	-	-	-	-	-	33,112,266	-	-	33,112,266
Placement, professional development, education awards and other	91,817,578	-	-	91,817,578	-	-	-	-	-	-	91,817,578	-	-	91,817,578
Alumni affairs	20,211,346	-	-	20,211,346	895,288	-	-	895,288	(573,927)	-	20,532,707	-	-	20,532,707
Total program services	182,793,059	-	-	182,793,059	895,288	-	-	895,288	(573,927)	-	183,114,420	-	-	183,114,420
Supporting services:														
Management and general	14,140,234	-	-	14,140,234	310,570	-	-	310,570	-	-	14,450,804	-	-	14,450,804
Fundraising	21,585,806	-	-	21,585,806	38,264	-	-	38,264	-	-	21,624,070	-	-	21,624,070
Total supporting services	35,726,040	-	-	35,726,040	348,834	-	-	348,834	-	-	36,074,874	-	-	36,074,874
Total expenses	218,519,099	-	-	218,519,099	1,244,122	-	-	1,244,122	(573,927)	-	219,189,294	-	-	219,189,294
Increase in net assets	42,270,245	(1,426,587)	10,000,010	50,843,668	-	34,600	-	34,600	573,927	(573,927)	42,844,172	(1,965,914)	10,000,010	50,878,268
Net assets, beginning of year	124,125,955	96,555,632	79,161,853	299,843,440	-	211,968	-	211,968	-	-	124,125,955	96,767,600	79,161,853	300,055,408
Net assets, end of year	\$ 166,396,200	\$ 95,129,045	\$ 89,161,863	\$ 350,687,108	\$ -	\$ 246,568	\$ -	\$ 246,568	\$ 573,927	\$ (573,927)	\$ 166,970,127	\$ 94,801,686	\$ 89,161,863	\$ 350,933,676

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

Teach for America and Teach for All, Inc.

**CONSOLIDATING SCHEDULE OF ACTIVITIES**

For the year ended September 30, 2010

	Teach for America, Inc.				Teach for All, Inc.				Consolidated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains and other support:</b>												
Contributions	\$ 8,030,987	\$ 125,040,201	\$ 10,000,010	\$ 143,071,198	\$ 2,825,000	\$ 7,279,126	\$ -	\$ 10,104,126	\$ 10,855,987	\$ 132,319,327	\$ 10,000,010	\$ 153,175,324
Government grants and contracts	45,655,217	-	-	45,655,217	340,493	-	-	340,493	45,995,710	-	-	45,995,710
Fee for service	18,232,410	-	-	18,232,410	-	-	-	-	18,232,410	-	-	18,232,410
Special events, net	3,767,251	-	-	3,767,251	-	-	-	-	3,767,251	-	-	3,767,251
Contributed goods and services	963,947	-	-	963,947	1,014,197	-	-	1,014,197	1,978,144	-	-	1,978,144
Interest and dividend income, net	168,232	146,895	-	315,127	-	-	-	-	168,232	146,895	-	315,127
Net appreciation in fair value of investments	61,851	1,778,928	-	1,840,779	-	-	-	-	61,851	1,778,928	-	1,840,779
Licensing fees and other revenue	1,949,307	-	-	1,949,307	(120,185)	-	-	(120,185)	1,829,122	-	-	1,829,122
Net assets released from restriction	138,901,194	(138,901,194)	-	-	4,495,264	(4,495,264)	-	-	143,396,458	(143,396,458)	-	-
<b>Total revenue, gains and other support</b>	<b>217,730,396</b>	<b>(11,935,170)</b>	<b>10,000,010</b>	<b>215,795,236</b>	<b>8,554,769</b>	<b>2,783,862</b>	<b>-</b>	<b>11,338,631</b>	<b>226,285,165</b>	<b>(9,151,308)</b>	<b>10,000,010</b>	<b>227,133,867</b>
<b>Expenses:</b>												
<b>Program services:</b>												
Teacher recruitment and selection	25,202,393	-	-	25,202,393	-	-	-	-	25,202,393	-	-	25,202,393
Pre-service institute	29,164,662	-	-	29,164,662	-	-	-	-	29,164,662	-	-	29,164,662
Placement, professional development, education awards and other	77,767,615	-	-	77,767,615	5,637,722	-	-	5,637,722	83,405,337	-	-	83,405,337
Alumni affairs	13,512,240	-	-	13,512,240	-	-	-	-	13,512,240	-	-	13,512,240
<b>Total program services</b>	<b>145,646,910</b>	<b>-</b>	<b>-</b>	<b>145,646,910</b>	<b>5,637,722</b>	<b>-</b>	<b>-</b>	<b>5,637,722</b>	<b>151,284,632</b>	<b>-</b>	<b>-</b>	<b>151,284,632</b>
<b>Supporting services:</b>												
Management and general	15,677,273	-	-	15,677,273	1,832,333	-	-	1,832,333	17,509,606	-	-	17,509,606
Fundraising	16,084,535	-	-	16,084,535	504,347	-	-	504,347	16,588,882	-	-	16,588,882
<b>Total supporting services</b>	<b>31,761,808</b>	<b>-</b>	<b>-</b>	<b>31,761,808</b>	<b>2,336,680</b>	<b>-</b>	<b>-</b>	<b>2,336,680</b>	<b>34,098,488</b>	<b>-</b>	<b>-</b>	<b>34,098,488</b>
<b>Total expenses</b>	<b>177,408,718</b>	<b>-</b>	<b>-</b>	<b>177,408,718</b>	<b>7,974,402</b>	<b>-</b>	<b>-</b>	<b>7,974,402</b>	<b>185,383,120</b>	<b>-</b>	<b>-</b>	<b>185,383,120</b>
Change in net assets	40,321,678	(11,935,170)	10,000,010	38,386,518	580,367	2,783,862	-	3,364,229	40,902,045	(9,151,308)	10,000,010	41,750,747
Net assets, beginning of year	83,804,277	108,490,802	69,161,843	261,456,922	1,842,689	4,064,824	-	5,907,513	85,646,966	112,555,626	69,161,843	267,364,435
Net assets, end of year	\$ 124,125,955	\$ 96,555,632	\$ 79,161,853	\$ 299,843,440	\$ 2,423,056	\$ 6,848,686	\$ -	\$ 9,271,742	\$ 126,549,011	\$ 103,404,318	\$ 79,161,853	\$ 309,115,182

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

## Teach for America, Inc.

## CONSOLIDATED SCHEDULE OF UNRESTRICTED FUNCTIONAL EXPENSES

For the year ended September 30, 2011, with comparative totals for 2010

	Program Services				Supporting Services				2011 Total	2010 Total
	Teacher recruitment and selection	Pre-service institute	Placement, professional development, education awards and other	Alumni Affairs	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Expenses:										
Personnel expenses	\$ 23,625,307	\$ 14,105,438	\$ 58,585,041	\$ 10,421,946	\$ 106,737,732	\$ 8,413,231	\$ 15,315,179	\$ 23,728,410	\$ 130,466,142	\$ 114,221,360
Professional services	1,258,121	404,675	3,077,404	1,059,574	5,799,774	2,029,466	717,875	2,747,341	8,547,115	7,391,327
Travel, meetings and subsistence	2,684,714	5,716,827	7,000,596	3,786,190	19,188,327	750,522	1,300,990	2,051,512	21,239,839	16,360,083
Institute food and lodging	28	8,651,199	6,132	28	8,657,387	15	126	141	8,657,528	7,140,461
Corps member support	3,915,667	127,688	5,490,968	509,339	10,043,662	2,009	211,643	213,652	10,257,314	6,229,832
Postage and delivery	52,960	35,366	312,003	54,293	454,622	19,098	51,079	70,177	524,799	506,809
Telecommunications	413,674	223,673	1,841,914	212,599	2,691,860	133,466	190,928	324,394	3,016,254	2,590,325
Equipment and supplies	829,452	1,220,733	3,016,548	1,247,958	6,314,691	310,528	499,906	810,434	7,125,125	5,788,621
Special events - other	1,198	29,324	38,601	3,074	72,197	26,303	49,109	75,412	147,609	155,644
Subscription and dues	14,278	29,654	189,616	51,341	284,889	5,983	86,780	92,763	377,652	1,177,293
Grants	-	-	85,000	-	85,000	-	-	-	85,000	-
Printing, advertising and media	288,061	329,701	589,141	164,333	1,371,236	137,413	451,250	588,663	1,959,899	1,815,926
Occupancy	1,310,249	945,015	6,219,456	655,679	9,130,399	426,107	620,376	1,046,483	10,176,882	9,217,018
Miscellaneous	167,616	112,827	88,738	22,028	391,209	10,876	31,369	42,245	433,454	681,691
Interest, insurance, fees and other	119,569	48,346	324,795	80,725	573,435	504,817	399,760	904,577	1,478,012	1,679,248
Depreciation and amortization	2,970,975	1,131,800	4,951,625	2,263,600	11,318,000	1,680,970	1,697,700	3,378,670	14,696,670	10,427,482
Total	\$ 37,651,869	\$ 33,112,266	\$ 91,817,578	\$ 20,532,707	\$ 183,114,420	\$ 14,450,804	\$ 21,624,070	\$ 36,074,874	\$ 219,189,294	\$ 185,383,120

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



Teach for America, Inc.

**SCHEDULE OF UNRESTRICTED FUNCTIONAL EXPENSES - TEACH FOR AMERICA ONLY**

For the year ended September 30, 2011, with comparative totals for 2010

	Program Services					Supporting Services				2011 Total	2010 Total
	Teacher recruitment and selection	Pre-service institute	Placement, professional development, education awards and other	Alumni Affairs	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Expenses:											
Personnel expenses	\$ 23,625,307	\$ 14,105,438	\$ 58,585,041	\$ 9,906,670	\$ 106,222,456	\$ 8,278,652	\$ 15,279,057	\$ 23,557,709	\$ 129,780,165	\$ 109,604,619	
Professional services	1,258,120	404,675	3,077,404	843,456	5,583,655	1,890,771	717,457	2,608,228	8,191,883	6,258,420	
Travel, meetings and subsistence	2,684,714	5,716,827	7,000,596	3,652,303	19,054,440	743,938	1,299,432	2,043,370	21,097,810	15,448,057	
Institute food and lodging	28	8,651,199	6,132	28	8,657,387	15	126	141	8,657,528	7,140,461	
Corps member support	3,915,667	127,688	5,490,968	509,339	10,043,662	2,009	211,643	213,652	10,257,314	6,229,832	
Postage and delivery	52,960	35,366	312,003	52,866	453,195	18,763	51,079	69,842	523,037	499,770	
Telecommunications	413,674	223,673	1,841,914	208,642	2,687,903	129,811	190,928	320,739	3,008,642	2,543,406	
Equipment and supplies	829,452	1,220,733	3,016,548	1,244,683	6,311,416	308,441	499,906	808,347	7,119,763	5,569,869	
Special events - other	1,198	29,324	38,601	3,074	72,197	26,303	49,109	75,412	147,609	155,644	
Subscription and dues	14,278	29,654	189,616	37,376	270,924	5,983	86,780	92,763	363,687	586,315	
Grants	-	-	85,000	573,927	658,927	-	-	-	658,927	-	
Printing, advertising and media	288,061	329,701	589,141	158,018	1,364,921	136,483	451,250	587,733	1,952,654	1,812,926	
Occupancy	1,310,249	945,017	6,219,456	655,118	9,129,840	413,256	620,376	1,033,632	10,163,472	9,167,336	
Miscellaneous	167,617	112,825	88,738	21,929	391,109	8,263	31,203	39,466	430,575	655,310	
Interest, insurance, fess and other	119,569	48,346	324,795	80,317	573,027	496,576	399,760	896,336	1,469,363	1,320,465	
Depreciation and amortization	2,970,975	1,131,800	4,951,625	2,263,600	11,318,000	1,680,970	1,697,700	3,378,670	14,696,670	10,416,288	
<b>Total</b>	<b>\$ 37,651,869</b>	<b>\$ 33,112,266</b>	<b>\$ 91,817,578</b>	<b>\$ 20,211,346</b>	<b>\$ 182,793,059</b>	<b>\$ 14,140,234</b>	<b>\$ 21,585,806</b>	<b>\$ 35,726,040</b>	<b>\$ 218,519,099</b>	<b>\$ 177,408,718</b>	

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