

GENERATION TEACH INC.

BOSTON, MASSACHUSETTS

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2020

(with Comparative Totals for 2019)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Generation Teach Inc.

We have audited the accompanying financial statements of Generation Teach Inc., which comprise the statements of financial position as of September 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Generation Teach Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Generation Teach Inc.'s September 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matters

As discussed in Note A to the financial statements, in 2020, Generation Teach Inc. adopted new accounting guidance for recognition of revenue and contributions received. Our opinion is not modified with respect to these matters.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
February 2, 2021

GENERATION TEACH INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2020
(with Comparative Totals for 2019)

<u>ASSETS</u>	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 1,506,481	\$ 998,133
Accounts receivable	150,098	102,147
Prepaid expenses	24,982	18,250
TOTAL ASSETS	<u>\$ 1,681,561</u>	<u>\$ 1,118,530</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<u>LIABILITIES</u>		
Accounts payable	\$ 1,166	\$ 895
Accrued expenses	50,505	45,600
Paycheck Protection Program loan payable	230,300	-
TOTAL LIABILITIES	<u>281,971</u>	<u>46,495</u>
<u>NET ASSETS</u> - Without donor restrictions	<u>1,399,590</u>	<u>1,072,035</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,681,561</u>	<u>\$ 1,118,530</u>

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

GENERATION TEACH INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2020
(with Comparative Totals for 2019)

	<u>Year ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Public support and revenue:		
Grants and contributions	\$ 646,770	\$ 1,025,683
Partner fees	1,161,231	1,420,000
Interest and other income	<u>11,339</u>	<u>1,173</u>
TOTAL PUBLIC SUPPORT AND REVENUE	1,819,340	2,446,856
Expenses:		
Program services	1,327,919	1,885,146
Management and general	134,547	159,818
Fundraising	<u>29,319</u>	<u>16,055</u>
TOTAL EXPENSES	<u>1,491,785</u>	<u>2,061,019</u>
CHANGE IN NET ASSETS	327,555	385,837
Net assets at beginning of year	<u>1,072,035</u>	<u>686,198</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,399,590</u>	<u>\$ 1,072,035</u>

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

GENERATION TEACH INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2020
(with Comparative Totals for 2019)

	Year ended September 30,				2019
	2020				
	Program Services	Management and General	Fundraising	Total	Total
Salaries and benefits	\$ 950,702	\$ 86,681	\$ 29,319	\$ 1,066,702	\$ 1,292,784
Program planning	94,448	-	-	94,448	99,356
Program operations	214,569	-	-	214,569	520,827
Organizational planning and operations	46,030	1,723	-	47,753	70,679
Office and administrative	22,170	46,143	-	68,313	77,373
	<u>\$ 1,327,919</u>	<u>\$ 134,547</u>	<u>\$ 29,319</u>	<u>\$ 1,491,785</u>	<u>\$ 2,061,019</u>

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

GENERATION TEACH INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2020
(with Comparative Totals for 2019)

	<u>Year ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 327,555	\$ 385,837
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Conversion of note payable to grant revenue	-	(150,000)
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	(47,951)	67,083
Pledges receivable	-	5,012
Prepaid expenses	(6,732)	(15,319)
Accounts payable	271	767
Accrued expenses	4,905	11,603
NET CASH PROVIDED FROM OPERATING ACTIVITIES	278,048	304,983
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on Paycheck Protection Program loan payable	230,300	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	230,300	-
NET INCREASE IN CASH	508,348	304,983
Cash at beginning of year	998,133	693,150
CASH AT END OF YEAR	<u>\$ 1,506,481</u>	<u>\$ 998,133</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
<u>NON-CASH OPERATING AND FINANCING ACTIVITY</u>		
Conversion of note payable to grant revenue	<u>\$ -</u>	<u>\$ 150,000</u>

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

GENERATION TEACH INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(with Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Generation Teach Inc. (the “Organization”) was established in 2014 as a not-for-profit corporation to attract talented and diverse college and college-bound students into teaching through highly structured and strongly mentored teaching fellowships.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Organization.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization had no net assets with donor restrictions at September 30, 2020 and 2019.

Revenue recognition

Revenue from Exchange Transactions: The Organization recognized revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-19, Revenue from Contracts with Customers, as amended. ASU 2014-19 applies to exchange transactions with customers that are bound by contracts or similar agreements and establishes a performance obligations approach to revenue recognition.

The Organization records substantially all revenues over time as follows:

	<u>Year ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenues earned over time	\$ 1,161,231	\$ 1,420,000

GENERATION TEACH INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2020
(with Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Partner fees

The Organization partners with districts and charter schools to provide: summer teaching fellowships for undergraduate and high school students, coaching and leadership residencies for professional teachers and GT STEM Academies for rising 5th – 8th grade students. Partner fees are recognized over the contract period as services are performed. The Organization does not have any significant financing components.

The following table summarizes contract balances at their respective statement of financial position dates:

	<u>September 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 150,098	\$ 102,147	\$ 169,230

Contributions

The Organization records contributions when a donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

During the years ended September 30, 2020 and 2019, the Organization recorded revenue and support from certain donors and partners, which individually accounted for the following percentages of total public support and revenue:

	<u>Year ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Donor A	14%	10%
Donor B	*	10%
Partner A	19%	14%
Partner B	18%	20%
Partner C	11%	*

* Amount represents less than 10%

Cash

Cash is maintained at a financial institution located in Boston, Massachusetts, and is insured by the FDIC up to \$250,000. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

GENERATION TEACH INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2020

(with Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Accounts receivable

Accounts receivable are customer obligations due under normal trade terms. Management reviews accounts receivable on a regular basis to determine if any receivables will potentially be uncollectible. Based on the information available, the Organization believes that no allowance for doubtful accounts was necessary at September 30, 2020 and 2019.

Income taxes

Generation Teach Inc. is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

The Organization has filed for and received income tax exemptions in the various jurisdictions where they are required to do so. The Organization files Form 990 tax returns in the U.S. federal jurisdiction and in the States of New York, Massachusetts and Rhode Island. With few exceptions, as of September 30, 2020, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended prior to September 30, 2017. The tax returns for years ended September 30, 2017 through September 30, 2020 are still subject to potential audit by the IRS and taxing authorities in New York State, Massachusetts and Rhode Island. Management of the Organization believes they have no material uncertain tax positions and, accordingly, they have not recognized any liability for unrecognized tax benefits.

Comparatives for the year ended September 30, 2019

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Adoption of new accounting standards

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Organization adopted ASC 606 with the date of initial application of October 1, 2019.

GENERATION TEACH INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2020

(with Comparative Totals for 2019)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The Organization applied ASC 606 using the cumulative effect method, which generally requires the recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets, at October 1, 2019. There was no adjustment to the opening balance of net assets at October 1, 2019, as a result of this new accounting standard. In addition, the comparative information has not been adjusted and continues to be reported under existing revenue guidance. The Organization does not expect the adoption of the new revenue standard to have a material impact on its income on an ongoing basis.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligation, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Contributions received and contributions made

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For most resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the provisions of ASU 2018-08 applicable to contributions received with a date of initial application of October 1, 2019 under a modified prospective basis. Accordingly, there is no effect on net assets.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through February 2, 2021, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

GENERATION TEACH INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2020

(with Comparative Totals for 2019)

NOTE B: LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's main source of liquidity is its cash account.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of attracting college and college-bound students into teaching as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2020 and 2019.

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 1,506,481	\$ 998,133
Accounts receivable	<u>150,098</u>	<u>102,147</u>
	<u>\$ 1,656,579</u>	<u>\$ 1,100,280</u>

NOTE C: RETIREMENT PLAN

The Organization sponsors a 401(k) plan which allows its eligible employees to make contributions to the Plan on a tax deferred basis. The Organization matches 100% of the employee contribution up to 5% of compensation. Total employer contributions to the Plan amounted to approximately \$32,800 and \$31,500 for the years ended September 30, 2020 and 2019, respectively.

NOTE D: NOTE PAYABLE

In June 2017, the Organization entered into an unsecured loan agreement with a certain grantor to borrow \$500,000 to help fund operations of the Organization. The loan carried no interest through the maturity date and was due in full on December 31, 2017.

On December 11, 2017, \$350,000 of the loan was converted to a grant. The remaining \$150,000 was due in full on December 31, 2018. On December 10, 2018, the remaining \$150,000 was converted to a grant.

GENERATION TEACH INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

SEPTEMBER 30, 2020

(with Comparative Totals for 2019)

NOTE E: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time, effort, and usage.

NOTE F: PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In response to the COVID-19 outbreak, in May 2020 the Organization applied for and was approved by a bank for a loan of \$230,300 through the Paycheck Protection Program established by the Small Business Administration, which is included in the statement of financial position. The loan has a maturity of 2 years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Organization. The loan was funded on May 11, 2020. On September 25, 2020 the Organization applied for and anticipates being approved for forgiveness of the loan. Due to the potential of forgiveness, repayment terms have not been finalized as of the report date.

NOTE G: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2021.