

TNTP, Inc.

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

September 30, 2022 and 2021

TNTP, Inc.

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Independent Auditors' Report

Board of Directors
TNTP, Inc.

Opinion

We have audited the accompanying financial statements of TNTP, Inc. ("TNTP"), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TNTP as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TNTP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TNTP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TNTP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TNTP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023, on our consideration of TNTP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TNTP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TNTP's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

January 12, 2023

TNTP, Inc.

Statements of Financial Position

	September 30	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 38,136,386	\$ 28,152,106
Program service receivables, net	27,168,820	16,262,660
Grant receivables	6,432,216	9,678,632
Prepaid expenses and other assets	1,414,414	780,638
Investments	549,111	1,684,720
Property, software and equipment, net	883,146	1,458,649
	\$ 74,584,093	\$ 58,017,405
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 14,166,603	\$ 8,113,464
Deferred revenue	4,283,399	3,863,229
Loan payable	-	7,489,507
Total Liabilities	18,450,002	19,466,200
 Net Assets		
Without Donor Restrictions		
Undesignated	42,481,988	15,196,185
Board designated	6,745,000	6,745,000
Total Without Donor Restrictions	49,226,988	21,941,185
With donor restrictions	6,907,103	16,610,020
Total Net Assets	56,134,091	38,551,205
	\$ 74,584,093	\$ 58,017,405

See notes to financial statements

TNTP, Inc.

Statements of Activities

	Year Ended September 30, 2022			Year Ended September 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND PUBLIC SUPPORT						
Program service revenue	\$ 96,080,114	\$ -	\$ 96,080,114	\$ 44,447,570	\$ -	\$ 44,447,570
Federal government grants	4,490,034	-	4,490,034	8,461,402	-	8,461,402
Grants from foundations, net of refunded amounts of \$4,932 and \$41,544	2,700,000	13,259,296	15,959,296	3,849,000	25,148,887	28,997,887
Grants from donor advised funds	20,100,000	-	20,100,000	600,000	1,597,550	2,197,550
Investment income	13,800	-	13,800	8,599	-	8,599
In-kind contributions	286,764	-	286,764	2,724,499	-	2,724,499
Other income	349,010	-	349,010	176,478	-	176,478
Net assets released from restrictions	<u>22,962,213</u>	<u>(22,962,213)</u>	<u>-</u>	<u>16,428,002</u>	<u>(16,428,002)</u>	<u>-</u>
Total Revenue and Public Support	<u>146,981,935</u>	<u>(9,702,917)</u>	<u>137,279,018</u>	<u>76,695,550</u>	<u>10,318,435</u>	<u>87,013,985</u>
EXPENSES						
Program Services						
Client services	105,390,227	-	105,390,227	60,094,296	-	60,094,296
Internal programs	<u>6,588,020</u>	<u>-</u>	<u>6,588,020</u>	<u>3,671,117</u>	<u>-</u>	<u>3,671,117</u>
Total Program Services	111,978,247	-	111,978,247	63,765,413	-	63,765,413
Management and general	14,259,131	-	14,259,131	9,431,671	-	9,431,671
Development	<u>1,070,132</u>	<u>-</u>	<u>1,070,132</u>	<u>807,733</u>	<u>-</u>	<u>807,733</u>
Total Expenses	<u>127,307,510</u>	<u>-</u>	<u>127,307,510</u>	<u>74,004,817</u>	<u>-</u>	<u>74,004,817</u>
Excess (Deficiency) of Revenue and Public Support Over Expenses	19,674,425	(9,702,917)	9,971,508	2,690,733	10,318,435	13,009,168
NON-OPERATING ACTIVITIES						
CARES Act stimulus revenue	<u>7,611,378</u>	<u>-</u>	<u>7,611,378</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	27,285,803	(9,702,917)	17,582,886	2,690,733	10,318,435	13,009,168
NET ASSETS						
Beginning of year	<u>21,941,185</u>	<u>16,610,020</u>	<u>38,551,205</u>	<u>19,250,452</u>	<u>6,291,585</u>	<u>25,542,037</u>
End of year	<u>\$ 49,226,988</u>	<u>\$ 6,907,103</u>	<u>\$ 56,134,091</u>	<u>\$ 21,941,185</u>	<u>\$ 16,610,020</u>	<u>\$ 38,551,205</u>

See notes to financial statements

TNTP, Inc.

Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services			Management and General	Development	Total Expenses
	Client Services	Internal Programs	Total			
Salaries	\$ 59,555,358	\$ 3,705,691	\$ 63,261,049	\$ 8,151,644	\$ 815,958	\$ 72,228,651
Payroll taxes	4,440,155	278,451	4,718,606	608,399	60,805	5,387,810
Employee benefits	7,636,234	485,209	8,121,443	1,116,155	106,265	9,343,863
Fees for services	5,484,758	1,389,982	6,874,740	2,443,177	13,626	9,331,543
Advertising expenses	409,156	2,544	411,700	111,039	-	522,739
Office expenses	1,629,925	100,596	1,730,521	200,455	17,911	1,948,887
Information technology	1,635,914	111,552	1,747,466	343,030	24,493	2,114,989
Occupancy	25,200	2,571	27,771	9,639	380	37,790
Conferences, meetings and travel	4,595,581	398,428	4,994,009	269,919	21,273	5,285,201
Depreciation	457,788	31,500	489,288	78,425	7,790	575,503
Stipends	12,252,277	10,459	12,262,736	-	-	12,262,736
Grants and awards	4,148,404	10,600	4,159,004	-	-	4,159,004
Other expenses	3,119,477	60,437	3,179,914	927,249	1,631	4,108,794
Total Expenses	<u>\$ 105,390,227</u>	<u>\$ 6,588,020</u>	<u>\$ 111,978,247</u>	<u>\$ 14,259,131</u>	<u>\$ 1,070,132</u>	<u>\$ 127,307,510</u>

See notes to financial statements

TNTP, Inc.

Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services			Management and General	Development	Total Expenses
	Client Services	Internal Programs	Total			
Salaries	\$ 37,267,749	\$ 2,576,626	\$ 39,844,375	\$ 6,132,797	\$ 614,562	\$ 46,591,734
Payroll taxes	2,675,012	191,994	2,867,006	452,194	45,586	3,364,786
Employee benefits	5,137,776	347,549	5,485,325	828,360	83,582	6,397,267
Fees for services	5,077,969	322,013	5,399,982	903,046	15,975	6,319,003
Advertising expenses	460,612	379	460,991	74,137	700	535,828
Office expenses	1,213,138	62,465	1,275,603	150,516	15,021	1,441,140
Information technology	840,442	48,633	889,075	183,472	17,667	1,090,214
Occupancy	41,263	1,828	43,091	3,790	454	47,335
Conferences, meetings and travel	778,405	36,704	815,109	53,858	2,491	871,458
Depreciation	504,868	33,372	538,240	82,145	9,703	630,088
Stipends	2,067,903	600	2,068,503	-	-	2,068,503
Grants and awards	3,486,534	25,000	3,511,534	-	-	3,511,534
Other expenses	542,625	23,954	566,579	567,356	1,992	1,135,927
Total Expenses	\$ 60,094,296	\$ 3,671,117	\$ 63,765,413	\$ 9,431,671	\$ 807,733	\$ 74,004,817

See notes to financial statements

TNTP, Inc.

Statements of Cash Flows

	Year Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,582,886	\$ 13,009,168
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	575,503	630,088
Bad debt expense	166,160	215,054
Unrealized loss on investments	34,096	51,512
Accrued interest forgiven from Paycheck Protection Program	121,871	-
Paycheck Protection Program loan forgiveness	(7,611,378)	-
Net change in operating assets and liabilities		
Program service receivables	(11,072,320)	(10,113,463)
Grant receivables	3,246,416	(6,938,366)
Prepaid expenses and other assets	(633,776)	(94,064)
Accounts payable and accrued expenses	6,053,139	5,360,864
Deferred revenue	420,170	3,775,375
Net Cash from Operating Activities	8,882,767	5,896,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from treasury bills	4,300,000	-
Proceeds from sale of investments	1,095,000	1,075,000
Purchases of treasury bills	(4,293,487)	-
Net Cash from Investing Activities	1,101,513	1,075,000
Change in Cash and Cash Equivalents	9,984,280	6,971,168
CASH AND CASH EQUIVALENTS		
Beginning of year	28,152,106	21,180,938
End of year	\$ 38,136,386	\$ 28,152,106
NON-CASH FINANCING ACTIVITY		
Paycheck Protection Program loan forgiveness	\$ 7,611,378	\$ -

See notes to financial statements

TNTP, Inc.

Notes to the Financial Statements
September 30, 2022 and 2021

1. Organization and Nature of Activities

TNTP, Inc. (“TNTP”), a Delaware not-for-profit corporation, believes our nation’s public schools can offer all children an excellent education. A national non-profit founded by teachers, TNTP helps school systems end educational inequality and achieve their goals for students. TNTP works at every level of the public education system to attract and train talented teachers and school leaders, ensure rigorous and engaging classrooms, and create environments that prioritize great teaching and accelerate student learning.

TNTP has been determined to be a non-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

TNTP reports information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions. All donor-restricted support is reported as an increase 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 statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

TNTP considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Allowance for Doubtful Accounts

TNTP provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. TNTP's estimate is based on historical collection experience and a review of the current status of receivables. It is reasonably possible that TNTP's estimate of the allowance for doubtful accounts will change. Program service receivables are presented net of an allowance for doubtful accounts of \$104,118 and \$167,525 at September 30, 2022 and 2021.

TNTP, Inc.

Notes to the Financial Statements
September 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Fair Value of Financial Instruments

TNTP follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation and Income Recognition

Investments are carried at fair value. Interest and dividend income, as well as realized gains or losses and unrealized appreciation or depreciation in investment value, are recognized in the statements of activities.

Property, Software and Equipment

Software and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years. TNTP's policy is to capitalize all purchases of \$5,000 or greater at the time of purchase.

Deferred Revenue

Deposits received for program services not yet provided are recorded as deferred revenue and recognized as program service revenue in the period to which they pertain.

Revenue Recognition

TNTP's main operating revenue is derived from their program fees. TNTP has concluded that there are four different types of contracts and each contains two to three different performance obligations which are satisfied over time. TNTP will recognize revenue when the organization provides one of the identified services to a customer and fulfills the performance obligation. This in turn will result in an asset transfer from TNTP to the customer. The assets that TNTP's customers receive via the fulfillment of the performance obligations enhances the value of the prior assets it has received.

The transaction price is determined by TNTP and each performance obligation is assigned a percentage of the total contract value. In some cases, where TNTP receives advance payments and performance obligations span beyond the fiscal year, amounts are properly recorded in deferred revenue on the statements of financial position. This requires TNTP to not recognize revenue until it is probable of collection. Based on TNTP's strong collection experience, TNTP has concluded that all revenue recognized is probable of collection. As of October 1, 2020, program service receivable was \$6,364,251 and deferred revenue was \$87,854.

TNTP, Inc.

Notes to the Financial Statements
September 30, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition (continued)

Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as grant receivables and are recorded at their net realizable value. Conditional contributions are recognized as income when the conditions on which they depend have been substantially met. Amounts reflected in the financial statements are net of an allowance for uncollectible gifts, and accordingly, include adjustments, based upon estimates of collectability. Promises to give due in excess of one year are recognized net of a discount to present value.

In-Kind Contributions

As of October 1, 2021, TNTP adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts-in-kind. The standard does not change the accounting for gifts-in-kind, however provides matters related to presentation and disclosure.

TNTP recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation.

Advertising Costs

Advertising costs are expensed as incurred.

CARES Act Revenue

During fiscal year 2022, TNTP recognized revenue associated with the forgiveness of the Paycheck Protection Program Loan ("PPP Loan") of \$7,611,378 and it is reflected in CARES Act stimulus revenue on the 2022 statement of activities.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Program expenses include client services and internal programs. Supporting services include management and general and development. Expenses have been charged to programs and supporting services based on direct allocation where identified. Expenses reported by functional categories include allocations of shared organizational costs for operations and depreciation expense. TNTP allocates depreciation based on which program is benefiting from the capital expenditure. All other shared organizational costs are allocated to the program and supporting functions based on total time and effort.

TNTP, Inc.

Notes to the Financial Statements
September 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Accounting for Uncertainty in Income Taxes

TNTP recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that TNTP had no uncertain tax positions that would require financial statement recognition and/or disclosure. TNTP is no longer subject to examinations by the applicable taxing jurisdictions for years prior to September 30, 2019.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 12, 2023.

3. Grant Receivables

At September 30, 2022 and 2021, TNTP's grant receivables consisted of \$6,432,216 and \$9,678,632. These amounts are expected to be received within one year. As of September 30, 2022 and 2021, management considers all amounts to be fully collectible and accordingly, no allowance for doubtful accounts has been provided.

4. Fiscal Sponsor

Beginning in 2021, TNTP has acted as a fiscal sponsor and custodian of funds for two non-profit organizations. Both organizations have missions aligned with TNTP's charitable mission in that both organizations seek to further the effectiveness of educational organizations that serve marginalized students. One of the organizations received its exemption from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code and has terminated the sponsorship as of February 2022. The second has fulfilled its grant obligations and the sponsorship will be terminated during fiscal 2023. During the years ended September 30, 2022 and 2021, \$313,686 and \$1,340,000 of total income was recorded and \$1,379,030 and \$274,656 of expenses were incurred related to the two fiscal sponsorships.

5. Concentration of Credit Risk

Financial instruments that potentially subject TNTP to concentrations of credit risk consist primarily of cash and cash equivalents, receivables and investments. TNTP maintains its cash in bank deposit accounts which generally exceed federally insured limits. TNTP has not experienced any losses in such accounts. TNTP does not have a material concentration of credit risk with respect to program service receivables, due to generally short payment terms and the dispersion of its customers throughout the United States. At September 30, 2022 and 2021, TNTP had grant receivables of approximately \$3,792,000 and \$5,740,000 from two grantors. These amounts represented approximately 73% and 81% of total outstanding grant receivables as of September 30, 2022 and 2021.

TNTP, Inc.

Notes to the Financial Statements
September 30, 2022 and 2021

6. Investments

The following are major categories of investments at September 30, grouped by fair value hierarchy:

	2022	
	Level 2	Total
Corporate bonds	\$ 549,111	\$ 549,111
	2021	
	Level 2	Total
Corporate bonds	\$ 1,684,720	\$ 1,684,720

Investment income consisted of the following for the years ended September 30:

	2022	2021
Interest	\$ 47,896	\$ 60,111
Unrealized loss	(34,096)	(51,512)
	\$ 13,800	\$ 8,599

7. Property, Software and Equipment

At September 30, property, software and equipment consisted of the following:

	2022	2021
Computer equipment and software	\$ 10,681,530	\$ 10,681,530
Office furniture and equipment	53,930	53,930
	10,735,460	10,735,460
Accumulated depreciation	(9,852,314)	(9,276,811)
	\$ 883,146	\$ 1,458,649

TNTP, Inc.

Notes to the Financial Statements September 30, 2022 and 2021

8. Net Assets

Board Designated Net Assets

At September 30, 2022 and 2021, board designated net assets consisted of a Contingency Reserve Fund in the amount of \$6,745,000.

The Contingency Reserve Fund was established to ensure long-term financial stability of TNTP and better position it to respond to varying economic conditions, ensuring it could continue to carry out its mission.

Net Assets with Donor Restrictions

Net assets with donor restrictions as of September 30, 2022 and 2021, are all available for specific purpose and time restrictions.

Amounts released from restrictions during the years ended September 30, are as follows:

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 34,520	\$ 20,834
Purpose restricted	<u>22,927,693</u>	<u>16,407,168</u>
	<u>\$ 22,962,213</u>	<u>\$ 16,428,002</u>

9. Contracts and Grants

TNTP has entered into multi-year performance based grants with several foundations. Due to stipulations in these grants linking future support to achievement of performance benchmarks, promises of support for future years in the amount of \$5,844,723 at September 30, 2022 have not been recognized in these financial statements.

TNTP has also been awarded \$7,032,617 in contracts and grants which have not been received or expended in fiscal year 2022. These awards, which represent commitments of government agencies to provide funds on a cost-reimbursement basis for TNTP's programs, will not be reflected in the financial statements until reimbursable activities have been conducted in accordance with the provisions of the contracts and grants.

In December 2021, TNTP received a significant contribution without donor restrictions in the amount of \$20,000,000 which is reflected in grants from donor advised funds in the 2022 statement of activities. The funds will be used to expand TNTP's impact, reach and innovation in fulfilling their mission.

10. Economic Dependence

TNTP receives its funding from school districts, the Federal government and foundations. TNTP is economically dependent on the continuation of such funding.

TNTP, Inc.

Notes to the Financial Statements
September 30, 2022 and 2021

11. Commitments and Contingencies

TNTP is involved in various legal proceedings incurred in the normal course of operations. Management believes TNTP has defenses for all such claims and is vigorously defending the actions. It is the opinion of management that the probable resolution of such proceedings will not materially affect the financial position, results of operations or cash flows of TNTP.

The reimbursements to TNTP from various school districts are subject to audit. Management believes that liabilities, if any, that may result from such audits will not be material in relation to the financial statements as a whole.

TNTP has a month-to-month lease for its central office space at WeWork. Rent expense was \$37,790 and \$47,335 in 2022 and 2021. As of September 30, 2022, TNTP has no future lease commitments.

12. Line of Credit

TNTP has a line of credit agreement with Merrill Lynch for \$3,000,000, with an expiration date of October 31, 2023. Borrowings on this line of credit bear interest at the Bloomberg Short Term Bank Yield Index ("BSBY") Daily Floating Rate plus 1.9% and is collateralized by the business assets of TNTP. The original agreement was amended on August 25, 2017 to include a liquidity clause where as TNTP will be required to maintain on a consolidated basis minimum unrestricted, unencumbered liquid assets of not less than \$3,000,000 as of the end of each fiscal year. There were no outstanding borrowings on the line of credit as of September 30, 2022 and 2021.

13. Loan Payable

On May 4, 2020, TNTP received loan proceeds in the amount of \$7,489,507 under the Paycheck Protection Program ("PPP Loan"). The PPP Loan, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

The PPP Loan was forgiven in full by the SBA on December 19, 2021. The PPP loan forgiveness is recognized as revenue on the 2022 statement of activities.

14. Retirement Plan

TNTP has a 403(b) defined contribution retirement plan for all eligible employees. TNTP matches half of an employee's contribution, with a cap on the match at 7% of an employee's annual salary. Plan expense approximated \$2,284,000 and \$1,492,000 in 2022 and 2021.

TNTP, Inc.

Notes to the Financial Statements September 30, 2022 and 2021

15. In-Kind Contributions

Contributed services recognized comprise of advertising services from Google Ad valued at \$199,055 and \$294,544 in 2022 and 2021. These contributed services are reported at the estimated fair value in the financial statements based on current rates for similar advertising services.

TNTP also received pro-bono contracted services valued at \$87,709 and \$2,429,955 in 2022 and 2021. The contributed services are valued using the approximate value of the salary that would be paid to independent contractors to perform this work. There were no contributed services or other gifts in kind that were restricted by donors.

16. Availability and Liquidity of Resources

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

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 38,136,386	\$ 28,152,106
Program service receivables, net	27,168,820	16,262,660
Grant receivables, net	6,432,216	9,678,632
Investments	<u>549,111</u>	<u>1,684,720</u>
Total financial assets	<u>72,286,533</u>	<u>55,778,118</u>
Less contractual or donor imposed restricted amounts:		
Board designated funds	6,745,000	6,745,000
Donor restricted funds - time and purpose	<u>6,907,103</u>	<u>16,610,020</u>
	<u>13,652,103</u>	<u>23,355,020</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 58,634,430</u>	<u>\$ 32,423,098</u>

TNTP's working capital and cash flows are driven by the timing of receipts from TNTP's various revenue streams. Program service receivables are expected to be collected within sixty days. As part of TNTP's liquidity management strategy, an investment policy is in place to structure TNTP's financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, TNTP invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, TNTP has a \$3 million committed line of credit, which can be drawn to help manage unanticipated liquidity needs.

* * * * *

TNTP, Inc.

Uniform Guidance Reports and Schedules

September 30, 2022

TNTP, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Additional Award Identification	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Education-Direct Programs					
Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	84.411	B		\$ -	\$ 1,499,760
<i>Total Department of Education Direct Programs</i>				-	1,499,760
Pass-through Texas Education Agency					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	S	1-133850158	-	730,000
Pass-through State of Tennessee Department of Education					
Education Stabilization Fund/Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425	U	S425U210047 - 21A	-	217,251
Pass-through Maryland State Department of Education					
Education Stabilization Fund	84.425		Not Available	-	74,442
Pass-through Providence Public Schools					
Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)	84.374	A	Not Available	-	1,968,582
<i>Total Department of Education</i>				-	4,490,035
Total Expenditures of Federal Awards				\$ -	\$ 4,490,035

See independent auditors' report and notes to schedule of expenditures of federal awards

TNTP, Inc.

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of TNTP, Inc. ("TNTP") under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of TNTP, it is not intended to and does not present the financial position, changes in net assets or cash flows of TNTP.

2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Nonmonetary Assistance

For the year ended September 30, 2022, TNTP did not have any non-cash awards, mortgages, or loan funds that should be included in the federal expenditures presented in the Schedule.

4. Indirect Cost Rate

TNTP has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Independent Auditors' Report

**Board of Directors
TNTP, Inc.**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of TNTP, Inc. ("TNTP"), which comprise the statement of financial position as of September 30, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TNTP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TNTP's internal control. Accordingly, we do not express an opinion on the effectiveness of TNTP's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

January 12, 2023

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

Board of Directors
TNTP, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited TNTP, Inc.'s ("TNTP") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of TNTP's major federal programs for the year ended September 30, 2022. TNTP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, TNTP, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of TNTP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of TNTP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to TNTP's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on TNTP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about TNTP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding TNTP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of TNTP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of TNTP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

PKF O'Connor Davies, LLP

January 12, 2023

TNTP, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.334S	Gaining Early Awareness and Readiness for Undergraduate Programs
84.425U	Education Stabilization Fund/Elementary and Secondary School Emergency Relief (ARP ESSER)
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended September 30, 2022.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no prior year audit findings.