

MEMPHIS TEACHER RESIDENCY, INC.

FINANCIAL STATEMENTS

MAY 31, 2024



CERTIFIED PUBLIC ACCOUNTANTS

MEMPHIS TEACHER RESIDENCY, INC.

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MEMPHIS TEACHER RESIDENCY, INC.

ROSTER OF OFFICIALS

MAY 31, 2023

Executive Director:	David Montague
Director of Operations and Finance:	Bridget Gentry
Chairman:	Tom Marino
Treasurer:	Robert Montague
Director:	David Harris
Director:	Dr. Maxie Dunham
Director:	Dr. Carol Johnson
Director:	David Brown
Director:	Chris Hill
Director:	Dorsey Hopson



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Memphis Teacher Residency, Inc.
Memphis, Tennessee

Opinion

We have audited the financial statements of Memphis Teacher Residency, Inc., which comprise the statement of financial position as of May 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Memphis Teacher Residency, Inc. as of May 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Memphis Teacher Residency, Inc., 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; 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.

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 Memphis Teacher Residency, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS 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 Memphis Teacher Residency, Inc.'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 Memphis Teacher Residency, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards and State Financial Assistance 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 Schedule of Expenditures of Federal Awards and State Financial Assistance 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 August 9, 2024, on our consideration of Memphis Teacher Residency, Inc.'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 Memphis Teacher Residency, Inc.'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 Memphis Teacher Residency, Inc.'s internal control over financial reporting and compliance.

Memphis, Tennessee

August 9, 2024

Henderson Hutcherson
& McCullough, PLLC

MEMPHIS TEACHER RESIDENCY, INC.

STATEMENT OF FINANCIAL POSITION

MAY 31, 2024

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Cash and cash equivalents	\$ 4,304,540	\$ 1,613,372	\$ 5,917,912
Grant receivable	9,017	-	9,017
Prepaid expenses	89,173	-	89,173
Right-of-use asset - operating	11,246,156	-	11,246,156
Property and equipment, net	<u>637,310</u>	<u>-</u>	<u>637,310</u>
TOTAL ASSETS	<u>\$ 16,286,196</u>	<u>\$ 1,613,372</u>	<u>\$ 17,899,568</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 70,845	\$ -	\$ 70,845
Operating lease liability	<u>11,175,048</u>	<u>-</u>	<u>11,175,048</u>
Total liabilities	11,245,893	-	11,245,893
NET ASSETS	<u>5,040,303</u>	<u>1,613,372</u>	<u>6,653,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,286,196</u>	<u>\$ 1,613,372</u>	<u>\$ 17,899,568</u>

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

MEMPHIS TEACHER RESIDENCY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,629,977	\$ 1,883,612	\$ 3,513,589
Federal, state, and other grants	1,222,255	-	1,222,255
Fees	1,645,005	-	1,645,005
Other	284,962	-	284,962
Net assets released from restrictions:			
Satisfaction of restriction	748,652	(748,652)	-
Total revenue and support	<u>5,530,851</u>	<u>1,134,960</u>	<u>6,665,811</u>
EXPENSES			
Program services:			
Pre-residency	533,910	-	533,910
Residency	2,076,214	-	2,076,214
Post-residency	666,866	-	666,866
Camp	229,344	-	229,344
Literacy institute	630,994	-	630,994
Research and development	235,747	-	235,747
Total program services	<u>4,373,075</u>	<u>-</u>	<u>4,373,075</u>
Supporting services:			
General and administrative	888,959	-	888,959
Fundraising	167,609	-	167,609
Total supporting services	<u>1,056,568</u>	<u>-</u>	<u>1,056,568</u>
Total operating expenses	<u>5,429,643</u>	<u>-</u>	<u>5,429,643</u>
NET CHANGE IN NET ASSETS	101,208	1,134,960	1,236,168
Net assets - beginning of year	<u>4,939,095</u>	<u>478,412</u>	<u>5,417,507</u>
Net assets - end of year	<u>\$ 5,040,303</u>	<u>\$ 1,613,372</u>	<u>\$ 6,653,675</u>

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

MEMPHIS TEACHER RESIDENCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2024

	Program Services						Supporting Services				Total
	Pre-Residency	Residency	Post-Residency	Camp	Literacy Institute	Research and Development	Total Program	General and Administrative	Fund - Raising	Total Support	
Personnel	\$ 361,707	\$ 509,029	\$ 585,439	\$ 29,047	\$ 506,778	\$ 147,857	\$ 2,139,857	\$ 487,122	\$ 161,690	\$ 648,812	\$ 2,788,669
Stipends	-	451,084	-	123,343	-	-	574,427	-	-	-	574,427
Housing	-	496,949	-	28,000	-	-	524,949	-	-	-	524,949
Training and resources	33,106	103,659	50,406	11,063	70,648	61,274	330,156	28,609	-	28,609	358,765
Marketing and communications	84,197	-	-	-	5,415	26,616	116,228	-	5,919	5,919	122,147
Office and operations	-	-	-	-	48,153	-	48,153	131,834	-	131,834	179,987
MTR community building	-	32,706	31,021	-	-	-	63,727	-	-	-	63,727
MTR Camp	-	-	-	36,516	-	-	36,516	-	-	-	36,516
Office and classroom facilities	-	336,468	-	1,375	-	-	337,843	168,234	-	168,234	506,077
Travel	28,575	-	-	-	-	-	28,575	-	-	-	28,575
Selection Weekend	26,325	-	-	-	-	-	26,325	-	-	-	26,325
Depreciation	-	146,319	-	-	-	-	146,319	73,160	-	73,160	219,479
Total expenses	\$ 533,910	\$ 2,076,214	\$ 666,866	\$ 229,344	\$ 630,994	\$ 235,747	\$ 4,373,075	\$ 888,959	\$ 167,609	\$ 1,056,568	\$ 5,429,643

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

MEMPHIS TEACHER RESIDENCY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2024

CASH FLOWS FROM OPERATING EXPENSES

Change in net assets		\$ 1,236,168
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	\$ 219,479	
Noncash operating lease expense	5,469	
(Increase) decrease in operating assets:		
Grant receivable	10,892	
Prepaid expenses	(24,686)	
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	<u>53,239</u>	
Total adjustments		<u>264,393</u>
Net cash from operating activities		<u>1,500,561</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Expenditures for property and equipment		<u>(38,220)</u>
Net cash from investing activities		<u>(38,220)</u>

NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

		1,462,341
Cash, cash equivalents, and restricted cash - beginning of year		<u>4,455,571</u>
Cash, cash equivalents, and restricted cash - end of year		<u>\$ 5,917,912</u>
Composition of cash, cash equivalents, and restricted cash - end of year:		
Cash and cash equivalents without donor restrictions	\$ 4,304,540	
Cash and cash equivalents with donor restrictions	<u>1,613,372</u>	
Total cash, cash equivalents, and restricted cash		<u>\$ 5,917,912</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$	<u>-</u>
Cash paid for income taxes	\$	<u>-</u>

MEMPHIS TEACHER RESIDENCY, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Memphis Teacher Residency, Inc. (MTR) is a Memphis not-for-profit organization whose mission is to recruit, equip, and retain excellent teachers to work in Memphis' urban areas where the need for strong educators is most critical. MTR is a Memphis partnership involving MTR, Christian Brothers University, and local urban schools.

The residency model is one adapted from the medical field and provides the opportunity to receive classroom learning along with practical experience. MTR believes this is the best way to become an effective urban school educator.

MTR offers a 12-month cohort program that integrates a master's in education coursework through Union University with extensive classroom experience. Each resident will be paired with an experienced Mentor-Teacher in their content area for four days per week for an entire school year. In addition, participants gain both a Master of Arts in Teaching (MAT) and a State of Tennessee Educator License for either elementary or secondary education. MTR offers content endorsements for secondary education in Math, Biology, Physics, Chemistry, History, and English.

Entrance into the Memphis Teacher Residency program is available to both education and non-education college graduates, and offers the following benefits:

- Master of Arts in Teaching (MAT) through Christian Brothers University (tuition provided)
- Intensive classroom experience within Memphis' urban schools
- State of Tennessee Educator License
- Housing
- \$14,400 stipend for the 12-month training period
- Participant / cohort fellowship and community
- On-going evaluation and mentoring
- Leadership opportunities

Residents commit to teaching in a high-need Memphis school for three consecutive years immediately following the residency year. A high-need Memphis school is defined as any Shelby County School, public charter, or private urban school that is within the Memphis city limits and has a student enrollment of 60%+ students that qualify for Free or Reduced-Price Lunch. Should an MTR Resident not complete the three consecutive years of teaching immediately following the residency year, the Resident will be required to repay MTR \$8,000 for each year of service not completed.

MTR Literacy Camp is a summer academic camp for elementary students in MTR partner neighborhoods. It is a summer learning adventure that revolves around literacy and combines math, reading, extracurriculars, field trips, and fun. Learning is fun at MTR Literacy Camp and a key goal is cultivating a love of learning at a young age. MTR hires approximately 20 college interns for 4 weeks to run this educational academic camp.

STEM Discovery Camp is a three-week summer mathematics camp for rising seventh graders to discover STEM fields and be pushed in their math understanding like never before. Math is the key that unlocks the door to so many STEM fields, and this camp launches students on the pathway to having access to any STEM career they desire. MTR seeks underclassmen college students of color with an interest in STEM education to join the Marjorie Lee Browne STEM Education Fellowship serving as teacher assistants and counselors at this summer math camp.

(Continued)

MEMPHIS TEACHER RESIDENCY, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Memphis Literacy Institute (MLI) is a partner program of MTR. MLI seeks to partner to train teachers and leaders and support schools towards literacy excellence in teacher content knowledge, curriculum, RTI, and instructional coaching so that students taught by MLI-trained teachers and leaders experience the dignity and equity of reading on grade level. MLI offers programming through its Reading Specialist Certification Program, School-Based Partnerships, Professional Learning, and the Memphis Literacy Conference, which is held annually.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the FASB Accounting Standards Codification (ASC) as the single source of authoritative GAAP. Updates to the ASC are done through the issuance of Accounting Standards Updates (ASU).

Federal Tax Status

The Internal Revenue Service has classified Memphis Teacher Residency, Inc. as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP. MTR is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of an organization. These net assets may be used at the discretion of MTR's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of MTR or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity. There were no net assets with perpetual restrictions as of May 31, 2024.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

(Continued)

MEMPHIS TEACHER RESIDENCY, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to MTR's programs of pre-residency, residency, post-residency, camp, literacy institute, and research and development. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature. There were no nonoperating activities during the year ended May 31, 2024.

Program and Supporting Services Expenses

The costs of providing programs and other activities are presented in the statement of functional expenses according to their functional classification. Accordingly, certain costs have been allocated among the various programs and supporting services that are benefited based on their usage.

MTR allocates certain cost to the various programs as follows:

Expense	Method of Allocation
Personnel	Estimated usage by program
Stipends	Estimated usage by program
Housing	Estimated usage by program
Training and resources	Estimated usage by program
Marketing and communications	Estimated usage by program
Office and operations	Estimated usage by program
MTR community building	Estimated usage by program
Office and classroom facilities	Estimated usage by program
Depreciation expense	Estimated usage by program

Cash, Cash Equivalents, and Restricted Cash

MTR considers cash on hand, in savings, checking, certificates of deposit and other similar accounts to be cash. All highly liquid debt instruments with a maturity of three months or less when purchased are considered to be cash equivalents.

Amounts included in restricted cash represent those required by the donor to be set aside for specific purposes or based on the passage of time.

Receivables

Receivables primarily represent amounts due from grantor agencies. There is no allowance for doubtful accounts as of May 31, 2024, as management believes all amounts are collectible. See Note 4 for a description of the grant receivable.

(Continued)

MEMPHIS TEACHER RESIDENCY, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires MTR to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results may differ from those estimates.

Revenue Recognition

Contributions and grants are recognized as revenues when they are received or unconditionally pledged. MTR also receives reimbursement grants. These grants are not recorded until acceptable expenditures under the grant terms have been made and reimbursement is reasonably assured. MTR reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

MTR received conditional promises to give of \$372,000 for two separate Honor Society campaigns which each were to be collected over a four-year period beginning in the fiscal years ended May 31, 2019 and May 31, 2021. Since these promises to give were conditional, they had not been recorded in the financial statements. These promises to give were recorded when the actual gifts were received, for which the last \$25,068 was received during the year ended May 31, 2024, and is included in contribution revenue on the accompanying statement of activities. Contributions received in excess of the original conditional promises to give were recorded as revenue in the year received.

MTR has adopted ASC 606, *Revenue from Contracts with Customers*, which creates a framework for recognizing revenue other than contributions and non-exchange grants. MTR's services that fall within the scope of ASC 606 are presented as fees and other revenue on the statement of activities and are recognized as revenue as MTR satisfies its obligation to the customers.

MTR recognizes contributed services such as in-kind donations that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended May 31, 2024, no services of this type were received.

Property, Equipment, and Depreciation

Assets purchased are stated at cost and assets donated are recorded at estimated fair value on the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets or the lease terms which range from five to ten years.

MEMPHIS TEACHER RESIDENCY, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents MTR’s financial assets as of May 31, 2024:

Description	Amount
Financial assets at year-end:	
Cash	\$ 5,917,912
Grant receivable	9,017
Total financial assets	<u>5,926,929</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	1,613,372
Less net assets with purpose restrictions to be met in less than a year	<u>(700,000)</u>
	<u>913,372</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,013,557</u>

MTR’s goal is generally to maintain financial assets to meet 60-90 days of operating expenses.

NOTE 4 – GRANT RECEIVABLE

MTR receives grants from various agencies within the Memphis community and the State of Tennessee. The uncollected portion of this grant is \$9,017 which has been submitted for reimbursement as of May 31, 2024, and has subsequently been collected.

NOTE 5 – PROPERTY AND EQUIPMENT

As of May 31, 2024, property and equipment consisted of the following:

Category	Cost or Basis	Accumulated Depreciation	Net Book Value
Leasehold improvements	\$ 2,010,565	\$ 1,451,397	\$ 559,168
Furniture and equipment	<u>674,121</u>	<u>595,979</u>	<u>78,142</u>
	<u>\$ 2,684,686</u>	<u>\$ 2,047,376</u>	<u>\$ 637,310</u>

For the year ended May 31, 2024, depreciation expense was \$219,479.

NOTE 6 – RETIREMENT PLAN

MTR sponsors a SIMPLE IRA plan covering substantially all employees. Employees may elect to defer up to the maximum amount allowable by the Internal Revenue Code of their gross salary into the plan. MTR makes a matching contribution up to 3% of gross salary. Employer matching contributions totaled \$56,750 for the year ended May 31, 2024.

MEMPHIS TEACHER RESIDENCY, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

As of May 31, 2024, net assets with donor restrictions were as follows:

Purpose	Amount
Memphis Literacy Institute	\$ 1,613,372
	<u>\$ 1,613,372</u>

During the year ended May 31, 2024, net assets were released from donor restriction by incurring expenses satisfying the restricted purposes as follows:

Purpose or Period	Amount
Passage of time	\$ 41,880
Conferences and camps	<u>706,772</u>
	<u>\$ 748,652</u>

NOTE 8 – RISK AND UNCERTAINTIES

Credit

MTR's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. At various times, such holdings may exceed FDIC insured limits; however, management does not believe that its cash and cash equivalents are exposed to significant credit risk.

Concentration

Approximately 57% of all grants and donations were received from 5 funding sources.

NOTE 9 – LEASE COMMITMENTS

MTR leases certain property in Tennessee under operating lease agreements expiring May 31, 2027. The leases have a renewal option of 2 5-year additional terms and MTR has a high probability of renewing for both additional terms. Monthly lease payments under the operating leases are \$39,751 and \$41,774 for housing and office space, respectively. Neither lease contains a provision for residual value guarantees.

The weighted average lease term for these leases is 13 years and the weighted average discount rate used below for future operating lease payments is 2.05%.

(Continued)

MEMPHIS TEACHER RESIDENCY, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024

NOTE 9 – LEASE COMMITMENTS (Continued)

The following is a maturity analysis of the annual undiscounted cash flows of the future operating lease payments as of May 31, 2024:

Fiscal Year	Total
2025	\$ 978,303
2026	978,303
2027	978,303
2028	978,303
2029	978,303
Thereafter	<u>7,826,430</u>
Total undiscounted cash flows	12,717,945
Less: present value discount	<u>(1,542,897)</u>
Total lease liabilities	<u>\$ 11,175,048</u>

Operating lease expense totaled \$978,303 for the year ended May 31, 2024, and is reported under housing and office and classroom facilities on the statement of functional expenses.

NOTE 10 – UNCERTAIN TAX POSITIONS

Accounting principles generally accepted in the United States of America require management of MTR to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Memphis Teacher Residency, Inc. has analyzed the tax positions taken by the organization and has concluded that as of May 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Memphis Teacher Residency, Inc. believes it is no longer subject to income tax examinations for years prior to 2021.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the statement of financial position date through August 9, 2024, the date the financial statements were available to be issued for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Memphis Teacher Residency, Inc.
Memphis, Tennessee

We have audited, in accordance with the 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 Memphis Teacher Residency, Inc. (a not-for-profit organization), which comprise the statement of financial position as of May 31, 2024, 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 August 9, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Memphis Teacher Residency, Inc.'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 Memphis Teacher Residency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Memphis Teacher Residency, Inc.'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that haven not been identified.

Compliance and Other Matters

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

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Memphis, Tennessee
August 9, 2024

*Henderson Hutcherson
& McCullough, PLLC*

MEMPHIS TEACHER RESIDENCY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

YEAR ENDED MAY 31, 2024

<u>Federal Agency/Pass-Through Agency/ Program or Title Cluster</u>	<u>Pass Through Agency</u>	<u>Pass Through Agency Award Number</u>	<u>Federal ALN</u>	<u>Receivable May 31, 2023</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Receivable May 31, 2024</u>
Federal Awards							
Corporation for National and Community Service Americorps State and National	State of Tennessee	RH5NF88L2MC4	94.006	\$ 19,909	\$ 541,340	\$ 530,448	\$ 9,017
U.S. Department of Education Effective Educator Development Program	Alder Graduate School of Education	U423A180028-02	84.423	-	150,057	150,057	-
Total Federal Awards				<u>\$ 19,909</u>	<u>\$ 691,397</u>	<u>\$ 680,505</u>	<u>\$ 9,017</u>
State Financial Assistance							
State of Tennessee Department of Education Direct Appropriations Grant			N/A	-	500,000	500,000	-
Total State Financial Assistance				<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>
Total Federal Awards and State Financial Assistance				<u>\$ 19,909</u>	<u>\$ 1,191,397</u>	<u>\$ 1,180,505</u>	<u>\$ 9,017</u>

MEMPHIS TEACHER RESIDENCY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED MAY 31, 2024

NOTE 1 – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance (the schedule) presents only a selected portion of the operations of Memphis Teacher Residency, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Memphis Teacher Residency, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the grant documents, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Memphis Teacher Residency, Inc. has elected to use the 10-percent de minimis indirect cost rate for the AmeriCorps grant.