

**THE FUND FOR TEACHERS: A FOUNDATION TO
RECOGNIZE, STIMULATE AND ENHANCE**

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Fund For Teachers: A Foundation to Recognize, Stimulate and Enhance
Houston, Texas

We have audited the accompanying statements of financial position of The Fund For Teachers: A Foundation to Recognize, Stimulate and Enhance (a nonprofit Texas corporation) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fund For Teachers: A Foundation to Recognize, Stimulate and Enhance at December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

Harper & Pearson Company, P.C.

Houston, Texas
March 30, 2011

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

ASSETS	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,800,055	\$ 2,817,597
Marketable securities	20,195,639	18,597,776
Pledges and other receivables	<u>83,641</u>	<u>380,467</u>
Total current assets	22,079,335	21,795,840
OTHER ASSETS		
Overriding royalty interests, net of accumulated depletion	26,962	30,434
Long term pledges receivable, net of discount	<u>98,896</u>	<u>142,407</u>
TOTAL ASSETS	<u>\$ 22,205,193</u>	<u>\$ 21,968,681</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 92,696</u>	<u>\$ 56,373</u>
Total current liabilities	<u>92,696</u>	<u>56,373</u>
NET ASSETS		
Unrestricted	19,539,887	17,997,823
Temporarily restricted	<u>2,572,610</u>	<u>3,914,485</u>
Total net assets	<u>22,112,497</u>	<u>21,912,308</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,205,193</u>	<u>\$ 21,968,681</u>

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT						
Contributions	\$ 509,735	\$ 800,771	\$ 1,310,506	\$ 5,144,088	\$ 1,081,687	\$ 6,225,775
Overriding royalty interest income, net	10,629	-	10,629	13,497	-	13,497
Investment income, net	1,645,178	-	1,645,178	1,984,752	-	1,984,752
Special events	91,975	-	91,975	434,899	-	434,899
Assets released from restrictions	<u>2,142,646</u>	<u>(2,142,646)</u>	<u>-</u>	<u>1,360,531</u>	<u>(1,360,531)</u>	<u>-</u>
Total Revenues and Support	<u>4,400,163</u>	<u>(1,341,875)</u>	<u>3,058,288</u>	<u>8,937,767</u>	<u>(278,844)</u>	<u>8,658,923</u>
EXPENSES						
Program:						
Grants paid	1,526,912	-	1,526,912	1,494,978	-	1,494,978
Program support	<u>567,084</u>	<u>-</u>	<u>567,084</u>	<u>468,207</u>	<u>-</u>	<u>468,207</u>
Total Program	<u>2,093,996</u>	<u>-</u>	<u>2,093,996</u>	<u>1,963,185</u>	<u>-</u>	<u>1,963,185</u>
Supporting Services:						
Management and general	607,799	-	607,799	547,389	-	547,389
Fundraising and special events	<u>152,832</u>	<u>-</u>	<u>152,832</u>	<u>600,761</u>	<u>-</u>	<u>600,761</u>
Total Supporting Services	760,631	-	760,631	1,148,150	-	1,148,150
Depletion expense	<u>3,472</u>	<u>-</u>	<u>3,472</u>	<u>3,472</u>	<u>-</u>	<u>3,472</u>
Total Expenses	<u>2,858,099</u>	<u>-</u>	<u>2,858,099</u>	<u>3,114,807</u>	<u>-</u>	<u>3,114,807</u>
CHANGE IN NET ASSETS	1,542,064	(1,341,875)	200,189	5,822,960	(278,844)	5,544,116
NET ASSETS, BEGINNING OF YEAR	<u>17,997,823</u>	<u>3,914,485</u>	<u>21,912,308</u>	<u>12,174,863</u>	<u>4,193,329</u>	<u>16,368,192</u>
NET ASSETS, END OF YEAR	<u>\$ 19,539,887</u>	<u>\$ 2,572,610</u>	<u>\$ 22,112,497</u>	<u>\$ 17,997,823</u>	<u>\$ 3,914,485</u>	<u>\$ 21,912,308</u>

See accompanying notes.

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 200,189	\$ 5,544,116
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depletion expense	3,472	3,472
Net realized and unrealized gains on marketable securities	(1,184,922)	(1,678,318)
Change in operating assets and liabilities:		
Pledges and other receivables	340,337	730,167
Accounts payable and accrued expenses	<u>36,323</u>	<u>(194,184)</u>
Total adjustments	<u>(804,790)</u>	<u>(1,138,863)</u>
Net cash (used) provided by operating activities	<u>(604,601)</u>	<u>4,405,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of marketable securities	6,905,717	805,244
Purchase of marketable securities	<u>(7,318,658)</u>	<u>(3,790,265)</u>
Net cash used by investing activities	<u>(412,941)</u>	<u>(2,985,021)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,017,542)	1,420,232
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,817,597</u>	<u>1,397,365</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,800,055</u>	<u>\$ 2,817,597</u>

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund For Teachers: A Foundation to Recognize, Stimulate and Enhance (the "Foundation") is a Texas not-for-profit corporation that commenced operations on May 10, 2001. The Foundation was formed exclusively for educational, charitable, and literary purposes. Specifically, the Foundation's mission is to enrich the professional growth of teachers by recognizing and supporting them as they identify and pursue opportunities around the globe that will have the greatest impact on their practice, the academic lives of their students, and on their school communities. The activities of the Foundation include making grants directly to teachers so that they may have sufficient financial resources to participate in training and enrichment activities that will improve and enhance their skills and capacities as teachers.

Management's Estimates - Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentrations of Credit Risk - Financial instruments, which subject the Foundation to concentrations of credit risk, consist principally of cash and cash equivalents, pledges and other receivables, and marketable securities. Cash and cash equivalents consist of demand deposits and money market mutual funds available for operations. Cash and cash equivalents are maintained with financial institutions and brokerage firms in the United States. Deposits with financial institutions may exceed the amount of federal deposit insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. Money market mutual funds and brokerage accounts are not insured. In monitoring this credit risk, the Foundation periodically evaluates the stability of the financial institutions and brokerage firm.

No collateral or other security is required to support pledges and other receivables. An allowance for doubtful accounts is established as needed based upon factors surrounding the credit risk of specific donors and debtors, historical trends and other information. Management estimates that all receivables are collectible, thus no allowance for uncollectible amounts has been recorded. At December 31, 2010 and 2009, 82% and 96% of pledges and other receivables were due from one and two donors, respectively.

Approximately 77% and 81% of contributions were received from related parties during 2010 and 2009, respectively.

Investment Risk - The Foundation's investments in marketable securities subject the Foundation to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Foundation's investments. Due to the level of risk associated with marketable securities and the level of uncertainty related to changes in the value of marketable securities, it is possible that changes in risks could materially impact the amounts reflected herein.

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of Investments - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Temporarily Restricted Net Assets - Grants, contributions of cash and other assets are reported as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets.

Contributions - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation reports contributions as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-kind contributions are reflected as contributions at their estimated fair value at date of donation. The Foundation liquidates contributed stock immediately upon receipt and records the proceeds as contributions. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are recorded at their estimated fair value at the date of receipt.

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value. Unconditional promises to give that are expected to be collected after one year or more are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included as contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investment Income, Net - The net change in unrealized appreciation or depreciation of investments during the year is recorded as investment income in unrestricted net assets in the statement of activities unless the use of the income is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Grants Paid - Grants paid include all direct grant awards made to educators. The costs of administering the grants are included in program support.

Federal Income Tax - The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, the Foundation is subject to taxes on unrelated business income. During 2010 and 2009, there was no unrelated business income.

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE A ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Generally accepted accounting principles (GAAP) provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. GAAP requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation believes that all significant tax positions utilized by the Foundation will more likely than not be sustained upon examination. As of December 31, 2010, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2007 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as general and administrative expense in the statement of activities.

Subsequent Events - The Foundation has evaluated subsequent events through March 30, 2011, the date the financial statements were available to be issued. No subsequent events occurred, which require adjustment or disclosure to the financial statements at December 31, 2010.

NOTE B INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation invests in various marketable securities including equity and fixed income securities, mutual funds, real estate investment trusts, all of which are traded on the open market and alternative investments. Equity securities include domestic and foreign common stocks, and equity index shares. Fixed income securities include corporate bonds & notes, fixed income index shares and U.S. government obligations. The alternative investments are comprised of two funds both of which are structured as master-feeder funds in which the master fund is registered under the Investment Company Act of 1940.

GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

These inputs are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices for identical financial instruments in active markets that the Foundation has the ability to access.

Level 2 – Other significant observable inputs (including quoted prices in active markets for similar assets or liabilities), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instruments.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
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DECEMBER 31, 2010 AND 2009**

NOTE B INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation techniques used for investments measured at fair value.

Money market account, equity securities, fixed income securities and REIT's are traded in active markets and valued at the most recent trade prices quoted.

The valuation of mutual funds and alternative investments is determined by the money managers using fair values of underlying assets, estimates of future earnings and other factors.

There have been no changes in the techniques used and no significant transfers in and/or out of the fair value categories during 2010 and 2009. Furthermore, although the Foundation believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of investments are categorized as follows at December 31, 2010 and 2009:

	2010			
	Level 1	Level 2	Level 3	Total
Money market account	\$ 1,467,637	\$ -	\$ -	\$ 1,467,637
Equity securities	3,027,601	-	-	3,027,601
Fixed income securities	2,597,977	-	-	2,597,977
Mutual funds	6,204,050	-	-	6,204,050
REIT's	1,586,078	-	-	1,586,078
Alternative investments	-	2,925,627	2,386,669	5,312,296
	<u>\$ 14,883,343</u>	<u>\$ 2,925,627</u>	<u>\$ 2,386,669</u>	<u>\$ 20,195,639</u>
	2009			
	Level 1	Level 2	Level 3	Total
Money market account	\$ 4,308,732	\$ -	\$ -	\$ 4,308,732
Equity securities	1,785,334	-	-	1,785,334
Fixed income securities	2,092,585	-	-	2,092,585
Mutual funds	5,100,476	-	-	5,100,476
REIT's	118,777	-	-	118,777
Alternative investments	-	2,737,174	2,454,698	5,191,872
	<u>\$ 13,405,904</u>	<u>\$ 2,737,174</u>	<u>\$ 2,454,698</u>	<u>\$ 18,597,776</u>

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE B INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets:

Balance as of December 31, 2008	\$ -
Purchases	2,250,000
Net unrealized gain	<u>204,698</u>
Balance as of December 31, 2009	2,454,698
Sales, net of purchases	(44,051)
Net unrealized loss	<u>(23,978)</u>
Balance as of December 31, 2010	<u>\$ 2,386,669</u>

NOTE C PLEDGES AND OTHER RECEIVABLES

Pledges and other receivables consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Due in less than one year	<u>\$ 83,641</u>	<u>\$ 380,467</u>
Due in one to five years	100,000	150,000
Less unamortized present value discount on long-term pledges receivable at 0.74% and 1.75% at December 31, 2010 and 2009, respectively	<u>(1,104)</u>	<u>(7,593)</u>
Long term pledge receivable, net	<u>98,896</u>	<u>142,407</u>
Total pledges and other receivables	<u>\$ 182,537</u>	<u>\$ 522,874</u>

NOTE D INVESTMENT INCOME

During 2010 and 2009, investment income, including interest earned on cash and cash equivalents consists of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 460,256	\$ 306,434
Net realized and unrealized gains	<u>1,184,922</u>	<u>1,678,318</u>
Investment income	<u>\$ 1,645,178</u>	<u>\$ 1,984,752</u>

**THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
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NOTE E OVERRIDING ROYALTY INTERESTS

During 2001, the Foundation received a donation of royalty interests in oil and gas producing properties. These contributed overriding royalty interests were recorded at estimated fair value at the date of contribution based on a third party valuation. Certain of the properties were sold subsequent to the gift. The original basis of the remaining interests at both December 31, 2010 and 2009 is \$65,000. As an owner of royalty interests, the Foundation is not responsible for any costs associated with exploration and development activities and does not intend to participate in these activities in the future.

Depletion is recorded using the unit-of-production method. Royalty income is recorded net of production taxes amounting to \$785 and \$843 at December 31, 2010 and 2009, respectively.

NOTE F RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets are restricted for the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Houston programs	\$ 851,568	\$ 1,071,864
Asian fellowship program	784,793	937,162
Pi Society - math fellowships	432,773	510,000
Oklahoma program	377,500	755,000
Program initiatives	-	269,020
Rural school program	101,872	271,439
Fellowships	-	100,000
Nebraska program	<u>24,104</u>	<u>-</u>
	<u>\$ 2,572,610</u>	<u>\$ 3,914,485</u>

NOTE G RELATED PARTY TRANSACTIONS

Members of the Board of Directors and the founding corporate contributor are considered related parties. During 2010 and 2009, all individuals who perform services for the Foundation are employees of the founding corporation. In addition, the founding corporation provides certain office space, utilities, supplies and equipment at no charge to the Foundation.

Balances and transactions with related parties are as follows at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Pledges receivable	\$ 150,000	\$ 200,000
Accounts payable and accrued expenses	\$ 62,772	\$ 43,326
Contributions	\$ 405,870	\$ 5,723,363
In-kind contributions of salaries and benefits	\$ 600,000	\$ 5,985
In-kind contributions of office space	\$ 70,825	\$ 74,613