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

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

CONTENTS

HARPER & PEARSON
COMPANY, P.C. CERTIFIED PUBLIC ACCOUNTANTS

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 financial statements of The Fund for Teachers: A Foundation to Recognize, Stimulate and Enhance (a nonprofit Texas corporation), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fund for Teachers: A Foundation to Recognize, Stimulate and Enhance as of December 31, 2012 and 2011, and the changes in its nets assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Harper & Pearson Company, P.C.

Houston, Texas
June 4, 2013

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STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 908,287	$ 419,133
Investment securities	20,379,920	20,653,760
Pledges and other receivables	185,713	69,829
Total current assets	21,473,920	21,142,722
OTHER ASSETS		
Overriding royalty interests, net of accumulated depletion	20,018	23,490
Long term pledges receivable, net of discount	-	49,500
TOTAL ASSETS	$ 21,493,938	$ 21,215,712
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 15,142	$ 155,433
Total current liabilities	15,142	155,433
NET ASSETS		
Unrestricted	19,800,068	19,077,231
Temporarily restricted	1,678,728	1,983,048
Total net assets	21,478,796	21,060,279
TOTAL LIABILITIES AND NET ASSETS	$ 21,493,938	$ 21,215,712

See accompanying notes.

THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT						
Contributions	$ 1,094,755	$ 36,700	$ 1,131,455	$ 513,978	$ 766,917	$ 1,280,895
Overriding royalty interest income, net	15,810	-	15,810	17,361	-	17,361
Investment security income, net	1,851,229	-	1,851,229	529,536	-	529,536
Special events	584,950	204,865	789,815	120,070	-	120,070
Other income	8,050	-	8,050	-	-	-
Assets released from restrictions	545,885	(545,885)	-	1,356,479	(1,356,479)	-
Total Revenues and Support	4,100,679	(304,320)	3,796,359	2,537,424	(589,562)	1,947,862
EXPENSES						
Program:						
Grants paid	1,565,327	-	1,565,327	1,495,809	-	1,495,809
Program support	643,651	-	643,651	590,077	-	590,077
Total Program	2,208,978	-	2,208,978	2,085,886	-	2,085,886
Supporting Services:						
Management and general	705,717	-	705,717	673,783	-	673,783
Fundraising and special events	459,675	-	459,675	236,939	-	236,939
Total Supporting Services	1,165,392	-	1,165,392	910,722	-	910,722
Depletion expense	3,472	-	3,472	3,472	-	3,472
Total Expenses	3,377,842	-	3,377,842	3,000,080	-	3,000,080
CHANGE IN NET ASSETS	722,837	(304,320)	418,517	(462,656)	(589,562)	(1,052,218)
NET ASSETS, BEGINNING OF YEAR	19,077,231	1,983,048	21,060,279	19,539,887	2,572,610	22,112,497
NET ASSETS, END OF YEAR	$ 19,800,068	$ 1,678,728	$ 21,478,796	$ 19,077,231	$ 1,983,048	$ 21,060,279

See accompanying notes.

THE FUND FOR TEACHERS: A FOUNDATION TO RECOGNIZE, STIMULATE AND ENHANCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 418,517	$ (1,052,218)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depletion expense	3,472	3,472
Net realized and unrealized gains on investment securities	(1,328,000)	(166,754)
Changes in operating assets and liabilities:		
Pledges and other receivables	(66,384)	63,208
Accounts payable and accrued expenses	(140,291)	62,737
Net cash used by operating activities	(1,112,686)	(1,089,555)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investment securities	21,323,371	9,411,639
Purchase of investment securities	(19,721,531)	(9,703,006)
Net cash provided (used) by investing activities	1,601,840	(291,367)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	489,154	(1,380,922)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	419,133	1,800,055
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 908,287	$ 419,133

See accompanying notes.

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 throughout the United States 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.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that 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 these estimates.

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 investment 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 funds, brokerage accounts and private investment funds are not insured. In monitoring this credit risk, the Foundation periodically evaluates the stability of the financial institutions and money managers that hold or invest its funds.

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, 2012 and 2011, 40% and 84%, respectively, of pledges and other receivables were due from one donor.

During 2012 and 2011, approximately 63% and 80%, respectively of contributions were received from related parties.

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

Investment Risk - The Foundation's investments in 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 investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks could materially impact the amounts reflected herein in the near term.

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.

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 Security Income, Net - Interest, realized gains and losses, and the net change in unrealized appreciation or depreciation of investment securities during the year are recorded as investment security income in unrestricted net assets in the statement of activities unless the use of the income is limited by donor-imposed restrictions. Income whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

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

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 2012 and 2011, there was no unrelated business income.

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, 2012, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2009 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as management and general expense in the statement of activities.

Subsequent Events - The Foundation has evaluated subsequent events through June 4, 2013, the date the financial statements were available to be issued. No subsequent events occurred which require adjustment to or disclosure in the financial statements at December 31, 2012.

NOTE B INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation invests in various securities including direct investments in equity and fixed income securities, exchange traded funds, and real estate investment trusts (REITs), all of which are traded on the open market. In addition, the Foundation has investments in a privately offered multi-asset mutual fund and two private investment funds, commonly referred to as hedge funds. The private investment funds are classified by the Foundation as alternative investments. Equity securities include domestic and foreign common stocks and equity index shares. Fixed income securities include corporate bonds and notes, fixed income index shares and U.S. government and sovereign debt obligations. The two private investment funds are structured as master-feeder funds in which the master fund is registered under the Investment Company Act of 1940, as amended. Liquidity is limited on these investments and there are certain restrictions on redemption, which could result in a substantial period of time between the date repurchase is requested by the Foundation and the date payment is received. In addition, the master fund has the right to refuse the repurchase of an investor's interests.

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.

NOTE B INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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 and inactive 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.

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

Investments in the privately offered multi-asset mutual fund and the alternative investment funds are valued by the individual fund managers on a monthly basis using fair values of underlying assets, estimates of future earnings and other valuation techniques.

All other investments held are traded in active markets and valued at the most recent trade prices quoted.

The Foundation believes its valuation techniques are appropriate and consistent with other market participants; however, 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 Foundation's money manager statements reflect money market funds as separate holdings within each investment strategy. During 2011, money market funds were reported as part of the asset class and fair value level of the investment strategy. During 2012, the Foundation determined that it was more appropriate to present money market funds as a separate asset class. The following 2011 table has been reclassified to conform with the 2012 presentation.

NOTE B INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of investments are categorized as follows at December 31, 2012 and 2011:

	2012			
	Level 1	Level 2	Level 3	Total
Money market account	$ 198,783	$ -	$ -	$ 198,783
Fixed income funds	5,849,557	-	-	5,849,557
Developed equities	1,138,595	-	-	1,138,595
Developed equity funds	2,810,107	-	-	2,810,107
Emerging equity funds	509,537	-	-	509,537
Commodity fund	1,396,006	-	-	1,396,006
Multi-asset mutual fund	-	8,260,486	-	8,260,486
Alternative Investments	-	-	216,849	216,849
	$ 11,902,585	$ 8,260,486	$ 216,849	$ 20,379,920

	2011			
	Level 1	Level 2	Level 3	Total
Money market account	$ 600,789	$ -	$ -	$ 600,789
Government bonds	2,667,588	-	-	2,667,588
Fixed income funds	1,538,073	-	-	1,538,073
Developed equities	1,583,026	-	-	1,583,026
Developed equity funds	2,240,541	-	-	2,240,541
Emerging equity funds	2,227,442	-	-	2,227,442
Multi-asset mutual fund	-	4,577,791	-	4,577,791
Alternative investments	-	-	5,218,510	5,218,510
	$ 10,857,459	$ 4,577,791	$ 5,218,510	$ 20,653,760

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

Balance as of December 31, 2010	$ 5,312,296
Net realized and unrealized loss included in change in net assets	(93,786)
Balance as of December 31, 2011	5,218,510
Net realized and unrealized gain included in change in net assets	84,565
Sales	(5,086,226)
Balance as of December 31, 2012	$ 216,849

NOTE C PLEDGES AND OTHER RECEIVABLES

Pledges and other receivables consist of the following at December 31, 2012 and 2011:

	2012	2011
Due in less than one year	$ 185,713	$ 69,829
Due in one to five years	-	50,000
Less unamortized discount at 0.74%	-	(500)
Long term pledges receivable, net	-	49,500
Total pledges and other receivables	$ 185,713	$ 119,329

NOTE D INVESTMENT SECURITY INCOME

During 2012 and 2011, investment security income, including interest earned on cash and cash equivalents consists of the following:

	2012	2011
Interest and dividends	$ 523,229	$ 362,782
Net realized and unrealized gains	1,328,000	166,754
Investment security income	$ 1,851,229	$ 529,536

NOTE E OVERRIDING ROYALTY INTERESTS

During 2001, the Foundation received a donation of overriding royalty interests in oil and natural gas producing properties. Based on a third party valuation, these contributed overriding royalty interests were recorded at estimated fair value on the date of contribution. Certain of the properties were sold subsequent to the gift. The original basis of the remaining interests at both December 31, 2012 and 2011 is $65,000. As an owner of overriding 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 of $939 and $1,077 for 2012 and 2011, respectively.

NOTE F RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets are restricted for the following programs at December 31, 2012 and 2011:

	2012	2011
Houston Programs	$ 404,435	$ 650,652
Asian Fellowship Program	455,591	589,550
Pi Society - Math Fellowships	242,838	365,346
Oklahoma Program	377,500	377,500
Permian Basin Program	171,664	-
Other Specified Programs	26,700	-
	$ 1,678,728	$ 1,983,048

NOTE G RELATED PARTY TRANSACTIONS

Members of the Board of Directors and the founding corporate contributor are considered related parties. All individuals who perform services for the Foundation are employees of the founding corporation. In addition, the founding corporation provides office space, utilities, supplies and equipment at no charge to the Foundation. Balances and transactions with related parties are as follows at and for the years ended December 31, 2012 and 2011:

	2012	2011
Pledges receivable	$ 75,500	$ 100,000
Accounts payable and accrued expenses	$ 3,231	$ 134,045
Contributions	$ 149,795	$ 445,550
Contributions of salaries and benefits	$ 980,891	$ 600,000
Contributions of office space	$ 77,200	$ 73,118