

**THE INTERNATIONAL DYSLEXIA ASSOCIATION
AND SUBSIDIARY**

**Consolidated Financial Statements
Together with Independent Auditors' Report**

For the Years Ended May 31, 2019 and 2018



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the International Dyslexia Association and Subsidiary:

We have audited the accompanying consolidated financial statements of the International Dyslexia Association and Subsidiary, a nonprofit organization, which comprise the consolidated statements of financial position as of May 31, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the International Dyslexia Association and Subsidiary as of May 31, 2019 and 2018, 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.

Substantial Doubt About the International Dyslexia Association and Subsidiary's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the International Dyslexia Association and Subsidiary will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the International Dyslexia Association and Subsidiary has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the International Dyslexia Association and Subsidiary's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plan regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the International Dyslexia Association and Subsidiary has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of net assets without donor restrictions and consolidated schedules of program service expenses are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

SC&H Attest Services, P.C.

April 3, 2020

**THE INTERATIONAL DYSLEXIA ASSOCIATION
AND SUBSIDIARY**

Consolidated Statements of Financial Position

| <i>As of May 31,</i> | <i>2019</i> | <i>2018</i> |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 64,994 | \$ 54,101 |
| Accounts receivable, net | 13,043 | 6,036 |
| Unconditional promises to give, current portion | 20,171 | 36,234 |
| Inventory of publications for sale | 9,935 | 9,469 |
| Prepaid expenses | 55,460 | 74,528 |
| Total Current Assets | 163,603 | 180,368 |
| Noncurrent Assets | | |
| Investments | 275,251 | 759,565 |
| Unconditional promises to give, net of current portion and discount | 61,881 | 87,664 |
| Property and equipment, net | 1,748,148 | 1,810,767 |
| Intangible assets, net | 157,729 | 224,650 |
| Total Noncurrent Assets | 2,243,009 | 2,882,646 |
| Total Assets | \$ 2,406,612 | \$ 3,063,014 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Line of credit | \$ 200,000 | \$ 200,000 |
| Accounts payable | 177,067 | 316,274 |
| Accrued wages and vacation | 17,009 | 34,862 |
| Deferred revenue | 168,028 | 175,506 |
| Building loan payable, current portion | 30,475 | 42,445 |
| Total Current Liabilities | 592,579 | 769,087 |
| Long Term Liabilities | | |
| Building loan payable, net of current portion | 869,554 | 898,279 |
| Total Liabilities | 1,462,133 | 1,667,366 |
| Commitments (Notes 11 and 12) | | |
| Net Assets | | |
| Without Donor Restriction - Undesignated | (292,046) | 109,106 |
| Without Donor Restriction - Board designated | 1,064,739 | 1,053,007 |
| Total Without Donor Restrictions | 772,693 | 1,162,113 |
| With Donor Restrictions | 171,786 | 233,535 |
| Total Net Assets | 944,479 | 1,395,648 |
| Total Liabilities and Net Assets | \$ 2,406,612 | \$ 3,063,014 |

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

**THE INTERNATIONAL DYSLEXIA ASSOCIATION
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Consolidated Statements of Activities

| <i>For the Years Ended May 31,</i> | 2019 | | | 2018 | | |
|---|-------------------------------|----------------------------|------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating revenues, gains and other support: | | | | | | |
| Public Support - Received directly: | | | | | | |
| Contributions and grants | \$ 170,356 | \$ 2,000 | \$ 172,356 | \$ 211,264 | \$ 84 | \$ 211,348 |
| Team Quest | 5,366 | - | 5,366 | 98,785 | - | 98,785 |
| Worksite campaign | 9,674 | - | 9,674 | 9,530 | - | 9,530 |
| Total public support | 185,396 | 2,000 | 187,396 | 319,579 | 84 | 319,663 |
| Other operating revenue: | | | | | | |
| National conference | 1,258,699 | - | 1,258,699 | 1,203,040 | - | 1,203,040 |
| Membership dues | 666,728 | - | 666,728 | 626,732 | - | 626,732 |
| Institutional review and accreditation (Note 16) | 89,667 | - | 89,667 | - | - | - |
| Educator training (Note 16) | 219,982 | - | 219,982 | 348,445 | - | 348,445 |
| Certification (Note 16) | 17,546 | - | 17,546 | 43,674 | - | 43,674 |
| Publication and educational material sales | 173,499 | - | 173,499 | 174,362 | - | 174,362 |
| Miscellaneous | 64,064 | - | 64,064 | 40,885 | - | 40,885 |
| Advertising | 74,885 | - | 74,885 | 63,601 | - | 63,601 |
| Special events, net of costs of \$1,995 for 2019 and \$1,813 for 2018 | 32,050 | - | 32,050 | 22,572 | - | 22,572 |
| Total other operating revenue | 2,597,120 | - | 2,597,120 | 2,523,311 | - | 2,523,311 |
| Net assets released from restrictions by satisfaction of purpose and time restrictions | 52,138 | (52,138) | - | 97,452 | (97,452) | - |
| Total operating revenues, gains, and other support | 2,834,654 | (50,138) | 2,784,516 | 2,940,342 | (97,368) | 2,842,974 |
| Operating expenses: | | | | | | |
| Program services | 2,726,332 | - | 2,726,332 | 2,710,022 | - | 2,710,022 |
| Supporting services | | | | | | |
| Management and general | 308,873 | - | 308,873 | 284,660 | - | 284,660 |
| Fundraising | 165,729 | - | 165,729 | 314,364 | - | 314,364 |
| Membership development | 63,804 | - | 63,804 | 71,109 | - | 71,109 |
| Total supporting services | 538,406 | - | 538,406 | 670,133 | - | 670,133 |
| Total operating expenses | 3,264,738 | - | 3,264,738 | 3,380,155 | - | 3,380,155 |
| Change in net assets from operations | (430,084) | (50,138) | (480,222) | (439,813) | (97,368) | (537,181) |
| Other Income: | | | | | | |
| Rental Income | 29,169 | - | 29,169 | - | - | - |
| Change in present value of charitable lead annuity trusts | - | (11,611) | (11,611) | - | 16,291 | 16,291 |
| Investment income | 11,495 | - | 11,495 | 37,061 | - | 37,061 |
| Change in net assets | (389,420) | (61,749) | (451,169) | (402,752) | (81,077) | (483,829) |
| Net assets - beginning of year | 1,162,113 | 233,535 | 1,395,648 | 1,564,865 | 314,612 | 1,879,477 |
| Net assets - end of year | \$ 772,693 | \$ 171,786 | \$ 944,479 | \$ 1,162,113 | \$ 233,535 | \$ 1,395,648 |

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

**THE INTERNATIONAL DYSLEXIA ASSOCIATION
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**Consolidated Statement of Functional Expenses
For the Year Ended May 31, 2019**

| | Program Services | Management and General | Fundraising | Membership Development | Total |
|---|---------------------|---------------------------|-------------------|---------------------------|---------------------|
| Payroll and payroll related expenses | \$ 1,113,253 | \$ 150,487 | \$ 80,746 | \$ 31,088 | \$ 1,375,574 |
| Equipment and facilities rental and maintenance | 359,041 | 48,535 | 26,042 | 10,026 | 443,644 |
| Professional fees | 205,479 | 27,776 | 14,904 | 5,738 | 253,897 |
| Conference events expenses | 156,185 | - | - | - | 156,185 |
| Branch dues and other branch support | 154,355 | - | - | - | 154,355 |
| Depreciation and amortization expense | 107,207 | 14,493 | 7,776 | 2,992 | 132,468 |
| Occupancy expenses | 88,272 | 11,933 | 6,403 | 2,465 | 109,073 |
| Publications and educational items | 104,021 | - | - | - | 104,021 |
| Staff travel and lodging | 71,775 | 9,703 | 5,206 | 2,004 | 88,688 |
| Other expenses | 69,012 | 9,329 | 5,006 | 1,927 | 85,274 |
| Board and committee expenses | 64,198 | 8,678 | 4,656 | 1,793 | 79,325 |
| Postage and delivery | 55,707 | 7,531 | 4,041 | 1,556 | 68,835 |
| Printing | 51,443 | 6,954 | 3,731 | 1,437 | 63,565 |
| Supplies | 42,259 | 5,712 | 3,065 | 1,180 | 52,216 |
| Insurance | 29,037 | 3,926 | 2,106 | 811 | 35,880 |
| Speaker expenses | 26,861 | - | - | - | 26,861 |
| Telephone | 15,642 | 2,114 | 1,134 | 437 | 19,327 |
| Legal | 7,817 | 1,057 | 567 | 218 | 9,659 |
| Advertising | 3,352 | 454 | 243 | 92 | 4,141 |
| Amortization of deferred loan fees | 1,416 | 191 | 103 | 40 | 1,750 |
| | \$ 2,726,332 | \$ 308,873 | \$ 165,729 | \$ 63,804 | \$ 3,264,738 |

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

**THE INTERNATIONAL DYSLEXIA ASSOCIATION
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**Consolidated Statement of Functional Expenses
For the Year Ended May 31, 2018**

| | Program Services | Management and General | Fundraising | Membership Development | Total |
|---|------------------|---------------------------|-------------|---------------------------|--------------|
| Payroll and payroll related expenses | \$ 1,065,221 | \$ 164,354 | \$ 166,632 | \$ 36,546 | \$ 1,432,753 |
| Equipment and facilities rental and maintenance | 328,546 | 18,325 | 13,025 | 1,431 | 361,327 |
| Professional fees | 170,204 | 42,205 | 2,251 | 267 | 214,927 |
| Branch dues and other branch support | 189,223 | - | - | - | 189,223 |
| Conference events expenses | 164,795 | - | - | - | 164,795 |
| Depreciation and amortization expense | 106,967 | 6,315 | 14,011 | 1,256 | 128,549 |
| Staff travel and lodging | 121,884 | 3,385 | 2,853 | 648 | 128,770 |
| Occupancy expenses | 83,977 | 10,630 | 9,567 | 2,126 | 106,300 |
| Board and committee expenses | 80,554 | 15,711 | - | - | 96,265 |
| Publications and educational items | 95,633 | - | - | - | 95,633 |
| Postage and delivery | 47,289 | 973 | 25,060 | 13,124 | 86,446 |
| Other expenses | 58,583 | 330 | 9,779 | 113 | 68,805 |
| Printing | 29,519 | 108 | 17,740 | 14,885 | 62,252 |
| Supplies | 49,593 | 10,792 | 831 | - | 61,216 |
| Special event - fundraisers | - | - | 47,655 | - | 47,655 |
| Telephone | 37,581 | 7,117 | 949 | - | 45,647 |
| Speaker expenses | 37,733 | - | - | - | 37,733 |
| Insurance | 26,054 | 3,298 | 2,968 | 660 | 32,980 |
| Legal | 13,539 | 889 | 832 | - | 15,260 |
| Advertising | 1,839 | - | 30 | - | 1,869 |
| Amortization of deferred loan fees | 1,288 | 228 | 181 | 53 | 1,750 |
| | \$ 2,710,022 | \$ 284,660 | \$ 314,364 | \$ 71,109 | \$ 3,380,155 |

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

**THE INTERNATIONAL DYSLEXIA ASSOCIATION
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Consolidated Statements of Cash Flows

| <i>For the Years Ended May 31,</i> | <i>2019</i> | <i>2018</i> |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (451,169) | \$ (483,829) |
| Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities | | |
| Depreciation and amortization | 132,468 | 128,549 |
| Amortization of deferred loan fees | 1,750 | 1,750 |
| Realized loss (gain) on investments | 3,476 | (163,415) |
| Reinvested dividends and interest | (5,559) | (11,481) |
| Unrealized (gain) loss on investments | (9,412) | 137,835 |
| (Increase) decrease in assets | | |
| Accounts receivable | (7,007) | 35,810 |
| Unconditional promises to give | 41,846 | 80,077 |
| Inventory of publications for sale | (466) | 7,798 |
| Prepaid expenses | 19,068 | 9,194 |
| Increase (decrease) in liabilities | | |
| Accounts payable | (139,207) | 190,705 |
| Accrued wages and vacation | (17,853) | (21,078) |
| Deferred revenue | (7,478) | (9,404) |
| Net cash and cash equivalents used in operating activities | (439,543) | (97,489) |
| Cash flows from investing activities | | |
| Sales of investments | 495,809 | 200,011 |
| Purchase of property and equipment | (1,890) | (12,852) |
| Development of intangible assets | (1,038) | (22,632) |
| Net cash and cash equivalents provided by investing activities | 492,881 | 164,527 |
| Cash flows from financing activities | | |
| Borrowing under line of credit | - | 18,000 |
| Repayment of building loan payable | (42,445) | (40,827) |
| Net cash and cash equivalents used in financing activities | (42,445) | (22,827) |
| Net increase in cash and cash equivalents | 10,893 | 44,211 |
| Cash and cash equivalents - beginning of year | 54,101 | 9,890 |
| Cash and cash equivalents - end of year | \$ 64,994 | \$ 54,101 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid during the year for interest | \$ 47,388 | \$ 44,035 |

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

THE INTERNATIONAL DYSLLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The International Dyslexia Association is a not-for-profit, scientific, and educational organization dedicated to the study and treatment of the learning disability, dyslexia, as well as related language-based learning differences. The purpose of the International Dyslexia Association is to pursue and provide the most comprehensive range of information and services that address the full scope of dyslexia and related difficulties in learning to read and write in a way that creates hope, possibility, and partnership. The International Dyslexia Association actively promotes effective teaching approaches and related clinical educational intervention strategies for dyslexics, supports and encourages interdisciplinary research, facilitates the exploration of the causes and early identification of dyslexia, and is committed to the responsible and wide dissemination of research-based knowledge. The International Dyslexia Association's membership consists of a variety of professionals in partnership with dyslexics and their families and all others interested in The International Dyslexia Association's mission. The International Dyslexia Association is funded primarily by contributions (both private and foundation), membership dues, conference revenues, and sales of publications.

On April 25, 2014, the International Dyslexia Association's Board of Directors approved the creation and funding of the Multi-Tiered Certification Initiative, which includes the IDA Certification Exam. The three tiers consist of Certified Classroom Reading Teacher, Certified Reading Practitioner, and Certified Dyslexia Practitioner or Specialist. In connection with this initiative, a separate legal entity, the Center for Effective Reading Instruction, Inc. (CERI), was incorporated on August 19, 2015. CERI board members are chosen by the International Dyslexia Association Executive Committee, giving the International Dyslexia Association control over the organization.

Principles of Consolidation

The consolidated financial statements include the accounts of The International Dyslexia Association and its wholly owned subsidiary, the Center for Effective Reading Instruction, Inc. (collectively, IDA). All material intercompany accounts and transactions are eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements of IDA have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Consolidated Financial Statement Presentation

During the year ended May 31, 2019, IDA adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which improves the current net asset classification and the related information presented in the financial statements and notes about the IDA's liquidity, financial performance and cash flows. Under Topic 958, IDA 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 without donor restrictions are the net assets that are not restricted by donor-imposed stipulations. The Board of Directors has designated certain amounts to be spent only for purposes approved by the Board of Directors.

Net assets with donor restrictions: Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of IDA pursuant to these stipulations. Net assets may be donor restricted for various purposes, such as use in future periods or use for specified purposes. Net assets with donor restrictions may also result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by IDA's action, which are to be maintained permanently.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of May 31, 2018 follows:

| | May 31, 2018 | June 1, 2017 |
|-------------------------------|--------------|--------------|
| As originally stated: | | |
| Net Assets, beginning of year | | |
| Unrestricted | \$ 1,162,113 | \$ 1,564,865 |
| Temporarily restricted | 213,535 | 294,612 |
| Permanently restricted | 20,000 | 20,000 |
| Total Net Assets | 1,395,648 | 1,879,477 |
| As reclassified: | | |
| Net Assets, beginning of year | | |
| Without donor restriction | 1,162,113 | 1,564,865 |
| With donor restriction | 233,535 | 314,612 |
| Total Net Assets | \$ 1,395,648 | \$ 1,879,477 |

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Long-Lived Assets

IDA accounts for the valuation of long-lived assets in accordance with Accounting Standards Codification (ASC) 360, *Property, Plant and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. As of May 31, 2019 and 2018, IDA determined that none of its assets were impaired. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. IDA had no assets intended for disposal as of May 31, 2019 and 2018.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, IDA considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. IDA periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal risk.

Investments

Investments are recorded at fair value (see Note 1 - Fair Value Measurement). Realized and unrealized gains or losses on investments are recorded in the period in which the gains or losses occur.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Accounts Receivable

IDA extends credit to customers on an unsecured basis. IDA uses the allowance method to provide for doubtful accounts based on management's evaluation of the collectability of accounts receivable. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when it is determined that amounts are uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Based upon historical collections experience and evaluation of amounts outstanding, IDA has recorded an allowance for doubtful accounts of \$562 as of May 31, 2019 and 2018.

Promises to Give

In accordance with ASC 958-310, *Not-for-Profit Entities: Receivables*, unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using rates applicable to the facts and circumstances to each of the promises to give. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Discounts recorded for unconditional promises to give totaled \$4,224 and \$6,335 as of May 31, 2019 and 2018, respectively.

IDA recognizes membership dues when the promises to give is made, which aligns with the receipt of payment. IDA offers materials on its website to members and non-members at the same time, therefore, the value of membership is deemed to be de minimus. Membership dues are recorded in a manner consistent with contribution revenue because membership does not represent an exchange transaction.

Inventory

Inventory consists primarily of books and periodicals and is carried at the lower of first-in, first-out (FIFO) cost or market.

Property and Equipment

Property and equipment purchased are recorded at cost (for those acquisitions having a cost of \$500 or more). Donations of property and equipment are recorded at fair value when received, provided IDA has a measurable and objective basis for determining fair value. If values are not readily determinable, the donations are recorded when liquidated. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d.

Property and Equipment – cont’d.

Estimated useful lives range from:

| | |
|--|---------------|
| Data processing equipment and software | 3 to 5 years |
| Furniture and equipment | 5 to 20 years |
| Building and building improvements | 40 years |

Intangibles

IDA accounts for development costs of their internal software, branding, and other intangible assets, in accordance with ASC 350, *Intangibles – Goodwill and Other*. Under ASC 350, certain costs incurred during the development of internal software are capitalized. The capitalized costs generally consist of external and internal labor for configuration, coding, and testing activities. Capitalization begins when the preliminary project stage is complete, management with the relevant authority authorizes and commits to the funding of the software project, and it is probable that the project will be completed, and the software will be used to perform the function intended. Capitalization ceases when the software is made available for use. All other software development costs are expensed as incurred.

Intangible assets consisted of the following at May 31,:

| | 2019 | 2018 |
|---|------------|------------|
| Development of Team Quest | \$ 41,713 | \$ 41,713 |
| Development of IDA Teacher Certification Exam | 213,974 | 213,974 |
| Other Intangible Assets | 70,255 | 69,217 |
| | 325,942 | 324,904 |
| Less: accumulated amortization | (168,213) | (100,254) |
| Intangible assets, net | \$ 157,729 | \$ 224,650 |

Development of Team Quest consists of the costs to develop the trademarks, website, and marketing materials for Team Quest. Team Quest is recorded at cost and is amortized using the straight-line method. This asset was placed in service on June 1, 2016 and is being amortized over its estimated useful life of five years. Amortization expense totaled \$8,343 and \$8,303 during the years ended May 31, 2019 and 2018, respectively.

Development of IDA teacher certification exam represents the cost to develop IDA’s exam, which is designed to identify teachers who demonstrate proficiency in teaching reading to individuals with dyslexia and are eligible for certification. The exam was placed into service on September 30, 2016 and is being amortized using the straight-line method over its estimated useful life of 6 years. Amortization expenses totaled \$36,691 and \$36,711 during the years ended May 31, 2019 and 2018, respectively.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Intangibles – cont'd.

Other intangible assets include website development costs, provider directories, and development of content for a book. These assets are being amortized over useful lives of three years. Amortization expenses totaled \$22,925 and \$19,529 during the years ended May 31, 2019 and 2018, respectively.

Future amortization expense of intangibles are as follows:

| Years ending May 31,: | |
|-----------------------|------------|
| 2020 | \$ 63,690 |
| 2021 | 47,059 |
| 2022 | 38,152 |
| 2023 | 8,828 |
| Total | \$ 157,729 |

Donated Services and Materials

Donated services which meet the requirements for recognition in the consolidated financial statements and donated materials are included in support and expense at the estimated fair values on the date which they are contributed. The requirements for recognition of donated services in the consolidated financial statements are (a) the donated services create or enhance non-financial assets, or (b) the donated services require special skills, are provided by individuals who possess those special skills, and the donated services would typically be purchased by the organization if they had not been provided by contribution.

No donated services were recorded during the years ended May 31, 2019 and 2018.

Donated Property

IDA reports gifts of land, property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, IDA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue

Conference revenue is reported as revenue in the fiscal year in which the conference is held. Amounts received in advance are recorded in deferred revenue.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, IDA reports the support as without donor restrictions.

IDA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such net assets are reclassified to net assets without donor restriction and reported in the consolidated statements of as net assets released from restrictions.

The cost of fundraising events, which totaled \$9,619 and \$47,655 during the years ended May 31, 2019 and 2018, respectively, its included in fundraising expense in the accompanying consolidated statements of activities.

Uniform Prudent Management of Institutional Funds Act

ASC 958-205 establishes a framework on the net asset classification of donor-restricted endowment funds for any not-for-profit organization that is subject to a state enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and requires expanded disclosures for all endowment funds. Under UPMIFA, permanently restricted net assets consist of the Ruth S. Harris Endowment for dyslexia education and support. The principal of the fund is permanently restricted. Income (not greater than 5% per year of the corpus) can be used for dyslexia education and support

Functional Classification of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expense. Accordingly, management and general costs have been allocated among the programs benefited. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated on the basis of estimates of the portion of time expended by the staff, head count, or square footage of the various functions.

Advertising Expense

Advertising costs are charged to operations when incurred. Advertising expense for the years ended May 31, 2019 and 2018 totaled \$4,141 and \$1,869, respectively, and is included in program and supporting services on the accompanying consolidated statements of activities.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Fair Value Measurement

ASC 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the assets or liabilities.

Level 3 - Inputs to the valuation methodology are unobservable for the assets or liabilities and are significant to the fair value measurement.

The assets or liabilities' 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Corporate Bonds: Valued based on values of similar assets traded in active markets.

Mutual Funds: Valued at the closing price of shares held by IDA at year end. Funds are traded on an active market.

Unconditional promises to give – beneficial interest in charitable lead annuity trusts: Determined using the income approach based on the present value of the annuity. A discount rate of 1.93% and 1.75% was used during the years ended May 31, 2019 and 2018, respectively.

IDA recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels during the years ended May 31, 2019 and 2018.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d.

Fair Value Measurement – cont’d.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while IDA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at May 31, 2019 and 2018.

The following table sets forth by level, within the fair value hierarchy, IDA’s investments at fair value as of May 31, 2019:

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|------------------|-------------|-------------------|
| Mutual funds | \$ 261,121 | \$ - | \$ - | \$ 261,121 |
| Unconditional promises to give - beneficial interest in charitable lead annuity trusts | - | 80,052 | - | 80,052 |
| Total | \$ 261,121 | \$ 80,052 | \$ - | \$ 341,173 |

The following table sets forth by level, within the fair value hierarchy, IDA’s investments at fair value as of May 31, 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|-------------------|-------------|-------------------|
| Corporate bonds | \$ - | \$ 340,878 | \$ - | \$ 340,878 |
| Mutual funds | 302,434 | - | - | 302,434 |
| Unconditional promises to give - beneficial interest in charitable lead annuity trusts | - | 123,069 | - | 123,069 |
| Total | \$ 302,434 | \$ 463,947 | \$ - | \$ 766,381 |

Cash and cash equivalents are excluded from the fair value hierarchy as money market funds are generally measured at cost. As such, \$14,130 and \$116,253 of cash held in IDA’s investment portfolio at May 31, 2019 and 2018, respectively, has been excluded from this table.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Recently Issued Accounting Pronouncement

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605 and most industry-specific guidance throughout the Industry Topics in the ASC. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

In August 2015, the FASB deferred the effective date of the revenue recognition guidance for non-public entities to reporting periods beginning after December 15, 2018. Early adoption is permitted. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. Management is currently evaluating the timing of its adoption and the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will be effective for fiscal years beginning after December 15, 2019. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous lease's guidance. Lessor accounting is largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt ASU 2016-02 and will assess the future impact on any leases.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. IDA has implemented ASU 2016-14 and has adjusted the presentation of its financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As a result of the pronouncement application, net assets classifications have been reduced from three categories to two categories.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Recently Issued Accounting Pronouncement – cont'd.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Under the new standard, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statements of cash flows. The new standard will be effective for non-public entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The standard should be applied using a retrospective transition method to each period presented. Management has chosen not to early adopt ASU 2016-18 but will assess the impact on future financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance for contributions. ASU 2018-08 clarifies whether certain transactions should be characterized as contributions (nonreciprocal transactions) within the scope of Topic 958-605 or as exchange (reciprocal) transactions subject to other guidance such as Topic 606, *Revenue from Contracts with Customers*. The ASU provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The update as it relates to contributions received and made is effective for periods beginning after December 15, 2018 and December 15, 2019, respectively. Early adoption is permitted. Management has elected not to early adopt ASU 2018-08 and will assess its future impact.

Subsequent Events

IDA evaluated for disclosure any subsequent events through April 3, 2020, the date on which the consolidated financial statements were available to be issued and determined there were no material events that warrant disclosure, except as disclosed in Notes 6, 7, and 17.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified in order to conform to the current year presentation.

2. FINANCIAL CONDITION

As reported in the accompanying consolidated financial statements, IDA experienced decreases in net assets of \$451,169 and \$483,829 during the years ended May 31, 2019 and 2018, respectively. In addition, the line of credit and building loan payable, as extended, matures on July 1, 2020. The balances outstanding under these loans total approximately \$1.1 million as of May 31, 2019 (Notes 6 and 7).

The operating losses together with the maturity of the bank loans in July 2020 creates a substantial doubt regarding IDA's ability to continue as a going concern.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

2. FINANCIAL CONDITION – cont'd.

Management's plan to address this situation includes the following:

- Reduce staffing levels and discretionary purchases to minimize expenditures
- Increase fund raising activities to increase contributions
- Pursue the sale of the building or an extension of the maturity date of the building loan

Management has developed, and the board of trustees has approved, a budget for the 2019-2020 fiscal year that projects positive cash flow through the implementation of the above steps. Management believes that IDA will be able to successfully sustain its operations. However, there is no assurance that management's plans will be successful.

3. INCOME TAXES

IDA is generally exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, IDA qualifies for charitable contributions deductions under Section 170(b)(1)(A) of the Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Code. Income, which is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. IDA had no net unrelated business income for the years ended May 31, 2019 and 2018.

ASC 740, *Income Taxes*, prescribes a recognition threshold and a measurement attribute for the consolidated financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties and consolidated financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

IDA recognizes interest and penalties accrued on any unrecognized tax exposure as a component of income tax expense. IDA does not have any amounts accrued relating to interest and penalties as of May 31, 2019 and 2018. IDA is subject to taxation in various jurisdictions.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

4. INVESTMENTS

IDA's investments are carried at fair value (as discussed at Note 1). Investments consisted of the following at May 31,:

| | 2019 | | 2018 | |
|--------------------|-------------------|-------------------|-------------------|-------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Money market funds | \$ 14,130 | \$ 14,130 | \$ 116,253 | \$ 116,253 |
| Corporate equities | - | - | - | - |
| Corporate bonds | - | - | 350,000 | 340,878 |
| Mutual funds | | | | |
| Equity funds | 206,424 | 205,652 | 237,997 | 238,503 |
| Fixed income funds | 53,422 | 55,469 | 63,466 | 63,931 |
| | <u>\$ 273,976</u> | <u>\$ 275,251</u> | <u>\$ 767,716</u> | <u>\$ 759,565</u> |

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at May 31,:

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Data processing equipment and software | \$ 43,135 | \$ 43,135 |
| Furniture and equipment | 122,309 | 120,419 |
| Building | 986,650 | 986,650 |
| Land | 408,908 | 408,908 |
| Building improvements | 846,077 | 846,077 |
| | <u>2,407,079</u> | <u>2,405,189</u> |
| Less: accumulated depreciation and amortization | (658,931) | (594,422) |
| | <u>\$ 1,748,148</u> | <u>\$ 1,810,767</u> |

Depreciation and amortization expense amounted to \$64,509 and \$64,006 for the years ended May 31, 2019 and 2018, respectively.

6. LINE OF CREDIT

IDA maintains a \$200,000 line of credit arrangement with a financial institution. Advances under the line of credit bear interest at the prime rate plus 1%, which equaled 6.75% and 5.75% as of May 31, 2019 and 2018, respectively. The balance on the line of credit totaled \$200,000 as of May 31, 2019 and 2018, respectively. Borrowings under the line of credit are secured by substantially all assets of IDA.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

6. LINE OF CREDIT – cont’d.

In October 2019, IDA entered into a modification agreement and extended the line of credit to July 1, 2020. IDA agreed to make quarterly payments of \$25,000 until that time. As a result, IDA anticipates making payments on the line of credit totaling \$75,000 during the year ended May 31, 2020 and \$125,000 during the year ended May 31, 2021. This line of credit is secured by substantially all assets including a 2nd lien on IDA’s building.

7. BUILDING LOAN PAYABLE

On August 1, 2014, IDA refinanced its Building Loan. The refinanced loan amount totaled \$1,088,000 with a fixed interest rate of 3.84%. Beginning September 1, 2014 and continuing for 59 months, monthly principal and interest payments of \$6,534 were due. The remaining balance was due in August 2019.

In October 2019, IDA entered into a modification agreement and extended the maturity date to July 1, 2020. As a part of the modification agreement, monthly principal and interest payments increased to \$7,186. This loan is secured by substantially all assets of IDA and a Deed of Trust on the building. Interest expense totaled \$47,388 and \$44,035 for the years ended May 31, 2019 and 2018, respectively.

Future maturities are as follows:

| Year ending May 31,: | |
|-------------------------------------|-------------------|
| 2020 | \$ 30,475 |
| 2021 | 869,846 |
| | <u>900,321</u> |
| Less unamortized deferred loan fees | (292) |
| Building loan payable, net | <u>\$ 900,029</u> |

8. RETIREMENT PLAN

IDA participates in the Teachers Insurance and Annuity Association - College Retirement Equities Fund, a contributory retirement plan established for educational institutions. Employees have no length of service requirement to fulfill to participate. Participants can contribute up to the maximum limit allowed by the Internal Revenue Code. IDA may provide for a discretionary match of participant contributions dollar for dollar up to 5% of the participant’s salary. There were no matching contributions to the plan for the years ended May 31, 2019 and 2018.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

9. UNCONDITIONAL PROMISES TO GIVE

IDA has been named as one of six equal beneficiaries in two charitable lead trusts. Under the terms of the first trust, for a period of twenty years commencing on November 18, 1998, the trustee shall pay a unitrust amount for each taxable year equal to 6% of the net fair market value of the assets of the trust valued as of the first day of each taxable year to the six beneficiaries. Under the terms of the second trust, for a period of twenty-five years commencing on November 18, 1998, the trustee shall pay a unitrust amount for each taxable year equal to 6% of the net fair market value of the assets of the trust valued as of the first day of each taxable year to the six beneficiaries. Distributions received by IDA are reported as unrestricted contribution revenue. Upon termination of the trusts, the assets in trust revert to the donor. The first trust ended during the year ended May 31, 2019. In calculating the present values of the annual amounts to be received until termination of the trusts, a 6.00% average investment rate of return was utilized and, average discount rates of 1.93% and 1.75% were utilized for the years ended May 31, 2019 and 2018, respectively. For the years ended May 31, 2019 and 2018, respectively, unitrust payments totaling \$31,405 and \$37,472 were received by IDA.

The unconditional promises to give are as follows at May 31, 2019:

| | Charitable Lead Annuity Trusts | Other Pledges | Total |
|--------------------------------------|-----------------------------------|------------------|-----------|
| Due in: | | | |
| Less than one year | \$ 18,171 | \$ 2,000 | \$ 20,171 |
| One to five years | 66,105 | - | 66,105 |
| Total unconditional promises to give | 84,276 | 2,000 | 86,276 |
| Less discount to present value | (4,224) | - | (4,224) |
| Net unconditional promises to give | \$ 80,052 | \$ 2,000 | \$ 82,052 |

The unconditional promises to give are as follows at May 31, 2018:

| | Charitable Lead Annuity Trusts | Other Pledges | Total |
|--------------------------------------|-----------------------------------|------------------|------------|
| Due in: | | | |
| Less than one year | \$ 35,405 | \$ 829 | \$ 36,234 |
| One to five years | 93,999 | - | 93,999 |
| Total unconditional promises to give | 129,404 | 829 | 130,233 |
| Less discount to present value | (6,335) | - | (6,335) |
| Net unconditional promises to give | \$ 123,069 | \$ 829 | \$ 123,898 |

Unconditional promises to give are considered fully collectible and, as such, no allowance for doubtful accounts has been recorded.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

10. RESTRICTIONS ON ASSETS

Net assets with donor restrictions are available for the following purposes at May 31,:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Unconditional promises to give which are not available for use | \$ 82,052 | \$ 123,898 |
| Good Samaritan | 68,354 | 68,354 |
| MSI research program | - | 19,903 |
| Global Partnership | 1,380 | 1,380 |
| Other restrictions | 20,000 | 20,000 |
| | <u>\$ 171,786</u> | <u>\$ 233,535</u> |

11. CONFERENCE COMMITMENTS

At May 31, 2019, IDA has committed to hold future annual conferences at convention centers or hotels in Portland, Oregon (2019), Aurora, Colorado (2020), Charlotte, North Carolina (2021), and San Antonio, Texas (2022). Amounts committed under the related agreements total \$1,230,582 as of May 31, 2019.

12. LEASE COMMITMENTS

Operating Leases

IDA rents temporary storage space on a month to month lease. Total rental expense for temporary storage space amounted to \$7,081 and \$6,642 for the years ended May 31, 2019 and 2018, respectively.

In addition, IDA leases a copier, a mailing machine, and a vehicle under operating leases expiring in various years. Equipment rental expense amounted to \$20,415 and \$30,294 for the years ended May 31, 2019 and 2018, respectively.

Future minimum lease payments required under these leases are as follows:

| Years ending May 31,: | |
|-----------------------|------------------|
| 2020 | \$ 16,573 |
| 2021 | 14,501 |
| 2022 | 8,286 |
| 2023 | 8,286 |
| 2024 | 3,453 |
| Total | <u>\$ 51,099</u> |

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

12. LEASE COMMITMENTS – cont’d.

IDA entered into an agreement as lessor to rent conference room. IDA will rent their conference room to the tenant for a period of two years, through October 2020, at a monthly rate of \$4,167. IDA recognized \$29,169 in rental income during the year ended May 31, 2019.

13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions for satisfaction of the following restrictions:

| | 2019 | 2018 |
|---------------------------------------|-----------|-----------|
| Purpose: | | |
| MSI Research Program | \$ 19,903 | \$ - |
| Time - unconditional promises to give | 32,235 | 97,452 |
| Total releases | \$ 52,138 | \$ 97,452 |

14. LIQUIDITY AND AVAILABILITY OF RESOURCES

IDA’s financial assets available within one year for general expenditures are as follows as of May 31,:

| | 2019 | 2018 |
|--|------------|------------|
| Cash and cash equivalents | \$ 64,994 | \$ 54,101 |
| Accounts receivable | 13,043 | 6,036 |
| Pledges and grants receivable, net | 82,052 | 123,898 |
| Total financial assets as of year end | 160,089 | 184,035 |
| Add: Board designation of investments for general expenditure | 175,251 | 495,809 |
| Less: Receivables to be collected in more than one year | (61,881) | (87,664) |
| Less: Contractual or donor-imposed restrictions | (171,786) | (233,535) |
| Total financial assets available to meet general expenditures within the next 12 months | \$ 101,673 | \$ 358,645 |

As part of IDA’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, as referenced in Note 4, IDA has \$100,000 and \$263,756 in board-designated investments in excess of the amount of board designations of investments for general expenditure. as of May 31, 2019 and 2018, respectively, that IDA could use for operations upon approval of the Board

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

15. MEASURE OF OPERATIONS

In its consolidated statements of activities, IDA includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, change in present value of charitable lead annuity trusts and rental income are recognized as non-operating support, revenues, gains, and losses.

16. CENTER FOR EFFECTIVE READING INSTRUCTION, INC.

In December 2015, the International Dyslexia Association Executive Committee approved the extension of a \$200,000 line of credit by the International Dyslexia Association for CERI. This was increased to \$220,000 during the year ended May 31, 2017. During the years ended May 31, 2019 and 2018, the line of credit balance totaled \$218,126 and \$220,821, respectively.

CERI is generally exempt from Federal income taxes under Section 501(c)(6) of the Code and received an IRS determination letter, dated March 23, 2016. In addition, CERI does not qualify for charitable contributions deductions under Section 170(c)(2) of the Code. Income not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. CERI had no unrelated business income for the years ended May 31, 2019 and 2018.

During the year ended May 31, 2017, IDA began to offer education courses for those interested in taking the certification exam through CERI. The education courses are not geared specifically for the exam and deal with general topics related to Dyslexia. These activities will remain in IDA, as education falls within the exempt purpose of IDA. Revenue earned from education courses totaled \$220,005 and \$348,445 during the years ended May 31, 2019 and 2018, respectively.

During the year ended May 31, 2017, CERI began to offer the certification exam. The exam is administered through a third-party testing vendor, who will distribute the revenues from the exam based on a percentage agreement with IDA and CERI, until IDA has recovered the costs it has expended on behalf of CERI. Revenue earned by CERI for exam fees totaled \$17,546 and \$43,674 during the years ended May 31, 2019 and 2018, respectively.

During the year ended May 31, 2019, IDA began to perform institutional program reviews and institutional accreditations. Revenue earned from these institutional reviews and accreditations totaled \$89,667 during the year ended May 31, 2019.

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Notes to the Consolidated Financial Statements For the Years Ended May 31, 2019 and 2018

17. SUBSEQUENT EVENT

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. Subsequent to year-end, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restrictions mandated by the Federal and State of Maryland governments has caused schools and numerous businesses to close or operate remotely in an effort to prevent COVID-19 from spreading more rapidly. Although IDA has not experienced an immediate impact from COVID-19, the extent of the impact of COVID-19 on IDA’s revenues and financial performance will depend on future developments, including the duration and spread of the outbreak, which is highly uncertain and cannot be predicted. The impact of COVID-19, however, could materially adversely affect IDA’s results of operations.

SUPPLEMENTARY INFORMATION

**THE INTERNATIONAL DYSLEXIA ASSOCIATION
AND SUBSIDIARY**

Supplemental Consolidated Schedule of Net Assets Without Donor Restriction

| | Undesignated | Board Designated | | | | Board Designated Total | Total |
|--|--------------|------------------|----------------------|-------------|-------------------|------------------------|--------------|
| | | Branch Council | MSI Research Program | Initiatives | Operating Reserve | | |
| Net Assets Without Donor Restriction at May 31, 2017 | \$ 524,650 | \$ 45,387 | \$ 3,200 | \$ 677,696 | \$ 313,932 | \$ 1,040,215 | \$ 1,564,865 |
| Change in Net assets without donor restriction | (415,544) | 12,792 | - | - | - | 12,792 | (402,752) |
| Net assets without donor restriction at May 31, 2018 | 109,106 | 58,179 | 3,200 | 677,696 | 313,932 | 1,053,007 | 1,162,113 |
| Change in Net assets without donor restriction | (401,152) | 11,732 | - | - | - | 11,732 | (389,420) |
| Net assets without donor restriction May 31, 2019 | \$ (292,046) | \$ 69,911 | \$ 3,200 | \$ 677,696 | \$ 313,932 | \$ 1,064,739 | \$ 772,693 |

See independent auditors' report.

**THE INTERNATIONAL DYSLEXIA ASSOCIATION
AND SUBSIDIARY**

**Supplemental Consolidated Schedule of Program Service Expenses
For the Year Ended May 31, 2019**

| | Conference | Membership Services | Branch Services | Publications and Information | Educator Training Initiative | Center for Effective Reading | Total |
|---|-------------------|------------------------|-------------------|---------------------------------|------------------------------------|------------------------------------|---------------------|
| Payroll and payroll related expenses | \$ 285,982 | \$ 172,084 | \$ 182,539 | \$ 161,355 | \$ 145,811 | \$ 165,482 | \$ 1,113,253 |
| Equipment and facilities rental and maintenance | 92,234 | 55,500 | 58,872 | 52,039 | 47,026 | 53,370 | 359,041 |
| Professional fees | 52,785 | 31,763 | 33,692 | 29,782 | 26,913 | 30,544 | 205,479 |
| Conference events expenses | 156,185 | - | - | - | - | - | 156,185 |
| Branch dues and other branch support | 17,159 | 99,527 | 37,669 | - | - | - | 154,355 |
| Depreciation and amortization expense | 27,540 | 16,572 | 17,579 | 15,539 | 14,041 | 15,936 | 107,207 |
| Occupancy expenses | 22,676 | 13,645 | 14,474 | 12,794 | 11,562 | 13,121 | 88,272 |
| Publications and educational items | - | - | - | 104,021 | - | - | 104,021 |
| Staff travel and lodging | 18,438 | 11,095 | 11,769 | 10,403 | 9,401 | 10,669 | 71,775 |
| Other expenses | 17,728 | 10,668 | 11,316 | 10,003 | 9,039 | 10,258 | 69,012 |
| Board and committee expenses | 16,492 | 9,924 | 10,526 | 9,305 | 8,408 | 9,543 | 64,198 |
| Postage and delivery | 14,311 | 8,611 | 9,134 | 8,074 | 7,296 | 8,281 | 55,707 |
| Printing | 13,215 | 7,952 | 8,435 | 7,456 | 6,738 | 7,647 | 51,443 |
| Supplies | 10,856 | 6,532 | 6,929 | 6,125 | 5,535 | 6,282 | 42,259 |
| Insurance | 7,459 | 4,489 | 4,761 | 4,209 | 3,803 | 4,316 | 29,037 |
| Speaker expenses | 26,861 | - | - | - | - | - | 26,861 |
| Telephone | 4,018 | 2,418 | 2,565 | 2,267 | 2,049 | 2,325 | 15,642 |
| Legal | 2,008 | 1,208 | 1,282 | 1,133 | 1,024 | 1,162 | 7,817 |
| Advertising | 861 | 518 | 550 | 486 | 439 | 498 | 3,352 |
| Amortization of deferred loan fees | 364 | 219 | 232 | 205 | 186 | 210 | 1,416 |
| | \$ 787,172 | \$ 452,725 | \$ 412,324 | \$ 435,196 | \$ 299,271 | \$ 339,644 | \$ 2,726,332 |

See independent auditors' report.

**THE INTERNATIONAL DYSLEXIA ASSOCIATION
AND SUBSIDIARY**

**Supplemental Consolidated Schedule of Program Service Expenses
For the Year Ended May 31, 2018**

| | Conference | Membership Services | Branch Services | Publications and Information | Educator Training Initiative | Center for Effective Reading | Total |
|---|---------------------|------------------------|-------------------|---------------------------------|------------------------------------|------------------------------------|---------------------|
| Payroll and payroll related expenses | \$ 260,130 | \$ 160,625 | \$ 143,937 | \$ 156,630 | \$ 123,759 | \$ 220,140 | \$ 1,065,221 |
| Equipment and facilities rental and maintenance | 255,527 | 23,543 | 12,945 | 16,604 | 8,482 | 11,445 | 328,546 |
| Professional fees | 48,268 | 6,355 | 6,617 | 44,858 | 55,415 | 8,691 | 170,204 |
| Branch dues and other branch support | 21,035 | 122,010 | 46,178 | - | - | - | 189,223 |
| Conference events expenses | 164,795 | - | - | - | - | - | 164,795 |
| Depreciation and amortization expense | 12,283 | 10,344 | 17,217 | 8,106 | 48,672 | 10,345 | 106,967 |
| Staff travel and lodging | 53,239 | 5,072 | 28,877 | 4,411 | 19,851 | 10,434 | 121,884 |
| Occupancy expenses | 20,197 | 17,008 | 8,504 | 9,567 | 11,693 | 17,008 | 83,977 |
| Board and committee expenses | - | - | 71,140 | 985 | 8,429 | - | 80,554 |
| Publications and educational items | - | - | - | 95,633 | - | - | 95,633 |
| Postage and delivery | 19,494 | - | 253 | 25,351 | 2,062 | 129 | 47,289 |
| Other expenses | 31,118 | 11,964 | 1,456 | 5,401 | 8,232 | 412 | 58,583 |
| Printing | 26,088 | - | 860 | 370 | 2,201 | - | 29,519 |
| Supplies | 37,918 | 1,147 | 2,628 | 6,214 | 1,368 | 318 | 49,593 |
| Telephone | 31,981 | 897 | 1,068 | 1,923 | 1,712 | - | 37,581 |
| Speaker expenses | 37,512 | - | - | - | 221 | - | 37,733 |
| Insurance | 6,266 | 5,277 | 2,638 | 2,968 | 3,628 | 5,277 | 26,054 |
| Legal | - | - | 7,667 | - | 271 | 5,601 | 13,539 |
| Advertising | 917 | - | 60 | 852 | 10 | - | 1,839 |
| Amortization of deferred loan fees | 148 | 125 | 207 | 98 | 586 | 124 | 1,288 |
| | \$ 1,026,916 | \$ 364,367 | \$ 352,252 | \$ 379,971 | \$ 296,592 | \$ 289,924 | \$ 2,710,022 |

See independent auditors' report.