THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Consolidated Financial Statements
Together with Independent Auditors' Report

For the Years Ended May 31, 2016 and 2015

STOUT, CAUSEY & HORNING
CERTIFIED PUBLIC ACCOUNTANTS
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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, 2016 and 2015, the related consolidated statements of activities 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 audit 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.

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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, 2016 and 2015, 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.

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 unrestricted net assets, consolidated schedules of functional expenses, 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.

Stout, Causey & Horning, P.A.

October 25, 2016

Consolidated Statements of Financial Position

As of May 31,	*2016*	*2015*
Assets		
Current Assets		
Cash and cash equivalents	$ 742,524	$ 1,028,500
Accounts receivable, net	43,858	22,792
Unconditional promises to give, current portion, net of discount	80,662	47,554
Inventory of publications for sale	27,179	29,205
Prepaid expenses	65,307	58,458
Total Current Assets	959,530	1,186,509
Noncurrent Assets		
Investments	343,328	354,986
Unconditional promises to give, net of current portion, net of discount	144,294	187,957
Property and equipment, net	1,886,874	1,942,418
Intangible assets	234,533	86,080
Deferred loan fees, net	5,542	7,291
Total Noncurrent Assets	2,614,571	2,578,732
Total Assets	$ 3,574,101	$ 3,765,241
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 153,511	$ 65,614
Accrued wages and vacation	42,465	47,459
Deferred revenue	169,431	461,553
Capital lease obligation, current portion	257	3,752
Building loan payable, current portion	39,270	37,666
Total Current Liabilities	404,934	616,044
Long Term Liabilities		
Capital lease obligation, net of current portion	-	228
Building loan payable, net of current portion	983,593	1,022,863
Total Long Term Liabilities	983,593	1,023,091
Total Liabilities	1,388,527	1,639,135
Commitments (Notes 11 and 12)		
Net Assets		
Unrestricted - available for general activities	778,624	701,574
Unrestricted - Board designated	1,072,357	1,079,484
Total Unrestricted Net Assets	1,850,981	1,781,058
Temporarily restricted	314,593	325,048
Permanently restricted	20,000	20,000
Total Net Assets	2,185,574	2,126,106
Total Liabilities and Net Assets	$ 3,574,101	$ 3,765,241

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

Consolidated Statements of Activities

For the Years Ended May 31,	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues, gains and other support:								
Public Support - Received directly:								
Contributions and grants	$ 162,761	$ 42,650	$ -	$ 205,411	$ 168,329	$ 7,900	$ -	$ 176,229
Team Quest	146,888	-	-	146,888	-	-	-	-
Worksite campaign	10,427	-	-	10,427	15,845	-	-	15,845
Hall of Honor campaign	-	-	-	-	4,805	-	-	4,805
Total public support	320,076	42,650	-	362,726	188,979	7,900	-	196,879
Other operating revenue:								
National conference	1,003,129	-	-	1,003,129	795,363	-	-	795,363
Membership dues	1,005,048	-	-	1,005,048	711,834	-	-	711,834
Publication and educational material sales	122,078	-	-	122,078	135,604	-	-	135,604
Miscellaneous	81,592	-	-	81,592	107,272	-	-	107,272
Advertising	74,965	-	-	74,965	71,995	-	-	71,995
Special events, net of costs of $1,656 for 2016 and $10,510 for 2015	18,214	-	-	18,214	16,659	-	-	16,659
Total other operating revenue	2,305,026	-	-	2,305,026	1,838,727	-	-	1,838,727
Net assets released from restrictions by satisfaction of purpose and time restrictions	45,758	(45,758)	-	-	85,510	(85,510)	-	-
Total operating revenues, gains, and other support	2,670,860	(3,108)	-	2,667,752	2,113,216	(77,610)	-	2,035,606
Operating expenses:								
Program services	1,938,228	-	-	1,938,228	1,468,088	-	-	1,468,088
Supporting services								
Management and general	490,453	-	-	490,453	449,803	-	-	449,803
Fundraising	92,809	-	-	92,809	68,993	-	-	68,993
Membership development	69,023	-	-	69,023	75,822	-	-	75,822
Total supporting services	652,285	-	-	652,285	594,618	-	-	594,618
Total operating expenses	2,590,513	-	-	2,590,513	2,062,706	-	-	2,062,706
Change in net assets from operations	80,347	(3,108)	-	77,239	50,510	(77,610)	-	(27,100)
Change in present value of charitable lead annuity trusts	-	(7,347)	-	(7,347)	-	8,348	-	8,348
Investment income (loss)	(10,424)	-	-	(10,424)	17,208	-	-	17,208
Change in net assets	69,923	(10,455)	-	59,468	67,718	(69,262)	-	(1,544)
Net assets - beginning of year	1,781,058	325,048	20,000	2,126,106	1,713,340	394,310	20,000	2,127,650
Net assets - end of year	$ 1,850,981	$ 314,593	$ 20,000	$ 2,185,574	$ 1,781,058	$ 325,048	$ 20,000	$ 2,126,106

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

THE INTERNATIONAL DYSLEXIA ASSOCIATION AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended May 31,	*2016*	*2015*
Cash flows from operating activites:		
Change in net assets	$ 59,468	$ (1,544)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activites		
Depreciation and amortization	59,710	65,929
Realized gain on investments	(8,642)	-
Reinvested dividends and interest	(5,508)	(9,320)
Unrealized gain (loss) on investments	25,808	(6,245)
(Increase) decrease in assets		
Accounts receivable	(21,066)	19,149
Unconditional promises to give	10,555	34,962
Inventory of publications for sale	2,026	1,786
Prepaid expenses	(6,849)	3,688
Increase (decrease) in liabilities		
Accounts payable	87,897	(30,785)
Accrued wages and vacation	(4,994)	11,427
Deferred revenue	(292,122)	(53,851)
Net cash and cash equivalents provided by (used in) operating activities	(93,717)	35,196
Cash flows from investing activities		
Purchase of investments	-	(1,048)
Purchase of property and equipment	(2,417)	(5,006)
Development of intangible assets	(148,453)	(86,080)
Net cash and cash equivalents used in investing activities	(150,870)	(92,134)
Cash flows from financing activities		
Repayment of capital lease obligations	(3,723)	(3,387)
Payment of deferred financing fees	-	(8,747)
Proceeds from long term debt	-	1,088,000
Repayment of building loan payable	(37,666)	(940,709)
Net cash and cash equivalents provided by (used in) financing activities	(41,389)	135,157
Net increase (decrease) in cash and cash equivalents	(285,976)	78,219
Cash and cash equivalents - beginning of year	1,028,500	950,281
Cash and cash equivalents - end of year	$ 742,524	$ 1,028,500
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 41,298	$ 47,718

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

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 will 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.

Consolidated Financial Statement Presentation

The consolidated financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under ASC 958-205, IDA is required to report information regarding its financial position and activities according to three classes of net assets.

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

Consolidated Financial Statement Presentation – cont'd.

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Available for general activities— Represents resources available for support of operations.

Board designated — The Board of Directors has designated certain amounts which are to be spent only for purposes approved by the Board of Directors.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of IDA pursuant to their stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use by IDA is limited by donor imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of IDA. The income earned from these contributions is used as stipulated by the donor.

Use of Estimates in Consolidated Financial Statements

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 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, 2016 and 2015, 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, 2016 and 2015.

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

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.

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 $4,100 as an allowance for doubtful accounts as of May 31, 2016 and 2015.

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 $8,908 and $13,667 as of May 31, 2016 and 2015, respectively.

Inventory

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

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

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.

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

Intangible assets consisted of the following at May 31,:

	2016	2015
Development of Team Quest	$ 26,733	$ -
Development of IDA Teacher Certification Exam	207,800	86,080
	$ 234,533	$ 86,080

Development of Team Quest consists of the costs to develop the trademarks, website, and marketing materials for Team Quest. IDA accounts for development costs of this branding in accordance with ASC 350, *Intangibles – Goodwill and Other*.

Development of Team Quest is recorded at cost and is amortized using the straight-line method. The intangible asset totaled $26,733 as of May 31, 2016. This asset had not been placed in service or amortized as of May 31, 2016, as it was still being developed. This asset was placed in service on June 1, 2016 and will be amortized over its estimated useful life of five years.

Development of IDA teacher certification exam represents the cost to develop IDA's exam, which is designed to identify teachers who demonstrate knowledge about teaching reading and are eligible for certification.

IDA accounts for development costs of their internal software 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.

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

Intangibles – cont'd.

Development of IDA teacher certification exam is recorded at cost and will be amortized using the straight-line method over its estimated useful life of 6 years. The intangible asset totaled $207,800 and $86,080 as of May 31, 2016 and 2015, respectively. This asset has not been placed in service or amortized as of May 31, 2016, as it is still being developed.

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.

During the years ended May 31, 2016 and 2015, certain consultants provided services in the development of the IDA teacher certification exam. The fair value of such services exceeded their compensation. The value of this donated service is not reflected in the consolidated financial statements since it is not subject to objective measurement or valuation.

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

Prior to June 1, 2015, membership dues revenue were recognized as revenue over the period to which it applied. Lifetime membership dues were recognized as revenue over twenty five (25) years on a straight-line basis. Amounts received but not yet earned were recorded in deferred revenue.

As of June 1, 2015, IDA changed its business model in a manner which resulted in the value of membership benefits being de minimus (see Note 15). As a result of this change, effective June 1, 2015, membership dues are recorded as a contribution 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.

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 unrestricted, temporarily restricted or permanently restricted support 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 unrestricted.

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

The cost of fundraising events, which totaled $47,957 and $34,934 during the years ended May 31, 2016 and 2015, respectively, are 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 Research in Dyslexia. The principal of the fund is permanently restricted. Income (not greater than 5% per year of the corpus) can be used for biomedical research on the causes and treatment of dyslexia.

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 activities and change in net assets. Accordingly, management and general costs have been allocated among the programs benefited.

Advertising Expense

Advertising costs are charged to operations when incurred. Advertising expense for the years ended May 31, 2016 and 2015 totaled $7,368 and $8,723, respectively, and are included in program and supporting services on the accompanying consolidated statements of activities.

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 l - 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:

Money Market Funds: Valued at the net asset value (NAV) of shares held by IDA at year end.

Corporate Equities: Valued at the closing price reported in the active market in which the individual securities are traded.

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.

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

Fair Value Measurement – cont'd.

Unconditional promises to give – beneficial interest in charitable lead annuity trusts: Determined using the income approach based on calculating the present value of the annuity less discount rates of 1.37% and 1.49% for the years ended May 31, 2016 and 2015, 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, 2016 and 2015.

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, 2016 and 2015.

The following table sets forth by level, within the fair value hierarchy, IDA's investments at fair value as of May 31, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,587	$ -	$ -	$ 5,587
Corporate equities	5,728	-	-	5,728
Corporate bonds	-	71,017	-	71,017
Mutual funds	260,996	-	-	260,996
Unconditional promises to give - beneficial interest in charitable lead annuity trusts	-	181,406	-	181,406
Total	$ 272,311	$ 252,423	$ -	$ 524,734

The following table sets forth by level, within the fair value hierarchy, IDA's investments at fair value as of May 31, 2015:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 19,258	$ -	$ -	$ 19,258
Corporate equities	4,675	-	-	4,675
Corporate bonds	-	57,140	-	57,140
Mutual funds	273,913	-	-	273,913
Unconditional promises to give - beneficial interest in charitable lead annuity trusts	-	229,458	-	229,458
Total	$ 297,846	$ 286,598	$ -	$ 584,444

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

Recently Issued Accounting Pronouncement

In April 2015, FASB issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This update requires that debt issuance costs be presented in the balance sheet as a reduction from the related debt liability rather than as an asset, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. This ASU is effective for fiscal years beginning after December 15, 2016. IDA elected not to early adopt the provisions of this ASU during the year ended May 31, 2016.

Subsequent Events

IDA evaluated for disclosure any subsequent events through October 25, 2016, 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 Note 16.

2. 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, 2016 and 2015.

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, 2016 and 2015. IDA is subject to taxation in various jurisdictions.

3. INVESTMENTS

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 5,587	$ 5,587	$ 19,258	$ 19,258
Corporate equities	8,429	5,728	8,359	4,675
Corporate bonds	71,002	71,017	55,231	57,140
Mutual funds				
Equity funds	190,261	243,093	179,170	256,498
Fixed income funds	17,535	17,903	17,080	17,415
	$ 292,814	$ 343,328	$ 279,098	$ 354,986

Investment income consisted of the following for the years ended May 31,:

	2016	2015
Interest and dividend earnings	$ 9,072	$ 13,348
Investment expenses	(2,330)	(2,385)
Realized gains	8,642	-
Unrealized gains (losses)	(25,808)	6,245
	$ (10,424)	$ 17,208

4. PROPERTY AND EQUIPMENT

Property and equipment (including telephone equipment under capital lease) consisted of the following at May 31,:

	2016	2015
Data processing equipment and software	$ 5,006	$ 25,168
Furniture and equipment	115,720	113,304
Building	986,650	986,650
Land	408,908	408,908
Building improvements	846,077	846,077
	2,362,361	2,380,107
Less: accumulated depreciation and amortization	475,487	437,689
	$ 1,886,874	$ 1,942,418

Depreciation and amortization expense amounted to $57,961 and $64,169 for the years ended May 31, 2016 and 2015, respectively.

5. LINE OF CREDIT

During the year ended May 31, 2015, IDA entered into a $200,000 line of credit arrangement with a financial institution. Advances under the line of credit bear interest at the rate of prime plus 1%, which totaled 4.50% and 4.25% as of May 31, 2016 and 2015, respectively. There was no balance on this line of credit as May 31, 2016 and 2015. Borrowings under the line of credit are secured by substantially all assets.

6. BUILDING LOAN PAYABLE

On August 12, 2009, IDA obtained a loan totaling $1,000,000 with a fixed interest rate of 6.5% (Building Loan). Beginning September 1, 2009 and continuing for 59 months, monthly principal and interest payments of $6,798 were due. The remaining balance of approximately $913,238 was repaid on August 1, 2014. This loan was secured by substantially all the assets if IDA. Interest expense on this loan amounted to $15,309 for the year ended May 31, 2015.

On August 1, 2014, IDA refinanced its Building Loan. The refinanced loan amount totals $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 are due. The remaining balance is due at maturity in August 2019. This loan is secured by substantially all assets of IDA. Interest expense on this refinanced building loan amounted to $41,071 and $31,333 for the years ended May 31, 2016 and 2015, respectively.

Future maturities of the loan payable consist of the following:

Years ending May 31,:		
2017	$	39,270
2018		40,827
2019		42,445
2020		900,321
	$	1,022,863

7. 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 accrued for the plan years ended December 31, 2016 and 2015.

8. 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. In calculating the present values of the annual amounts to be received until termination of the trusts, 1.37% and 1.49% average discount rates and a 6.00% average investment rate of return were utilized for the years ended May 31, 2016 and 2015, respectively. For the years ended May 31, 2016 and 2015, respectively, unitrust payments totaling $38,560 and $39,360 were received by IDA.

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

	2016			2015
	Charitable Lead Annuity Trusts	Other Pledges	Total	Total
Due in:				
Less than one year	$ 37,112	$ 43,550	$ 80,662	$ 47,554
One to five years	123,333	-	123,333	150,458
More than five years	29,869	-	29,869	51,038
Total unconditional promises to give	190,314	43,550	233,864	249,050
Less discount to present value	8,908	-	8,908	13,539
Net unconditional promises to give	$ 181,406	$ 43,550	$ 224,956	$ 235,511

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

9. RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes at May 31,:

	2016	2015
Unconditional promises to give which are available in periods after year end	$ 224,956	$ 235,511
Good Samaritan	68,354	68,354
MSI research program	19,903	19,903
Global Partnership	1,380	1,280
	$ 314,593	$ 325,048

10. PROGRAM SERVICE EXPENSES

Program service expenses totaled the following for the years ended May 31,:

	2016	2015
Conference	$ 773,020	$ 636,471
Membership services	303,352	345,133
Branch services	257,302	218,535
Publications and information	332,870	267,949
Center for Effective Reading Instruction	271,684	-
	$ 1,938,228	$ 1,468,088

11. COMMITMENTS

At May 31, 2016, IDA has committed to hold future annual conferences at convention centers or hotels in Florida (2016), Georgia (2017), and Connecticut (2018). Amounts committed under the related agreements total $905,632 as of May 31, 2016.

12. LEASE COMMITMENTS

Operating Lease

IDA rents temporary storage space on a month to month lease. Total rental expense for temporary storage space amounted to $5,580 for the years ended May 31, 2016 and 2015.

In addition, IDA leases two (2) copiers, a mailing machine, and a vehicle under operating leases expiring in various years. Equipment rental expense amounted to $25,433 and $15,440 for the years ended May 31, 2016 and 2015, respectively.

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

Years ending May 31,:	
2017	$ 14,123
2018	14,123
2019	13,637
2020	8,286
2021	6,215
Total	$ 56,384

Capital Lease

In July 2013, IDA entered into a capital lease agreement for telephone equipment, which expires in July 2016. During the years ended May 31, 2016 and 2015, interest expense incurred on the capital lease totaled $227 and $565, respectively.

12. LEASE COMMITMENTS – cont'd.

Capital Lease – cont'd.

The assets and liabilities under capital leases are recorded at the time of acquisition at the lower of the present value of the minimum lease payments or the fair value of the asset. The equipment financed serves as collateral for the leases and is depreciated over the shorter of their related lease terms or their estimated productive lives. Depreciation of the assets under the capital leases is included in depreciation expense.

Future minimum lease payments on obligations under capital leases total $257 as of May 31, 2016.

13. NET ASSETS RELEASED FROM RESTRICTIONS

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

	2016	2015
Time - unconditional promises to give	$ 45,758	$ 50,510
Knowledge Practice Standards	-	35,000
	$ 45,758	$ 85,510

14. 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 contributions to permanently restricted net assets are recognized as non-operating support, revenues, gains, and losses.

15. MEMBERSHIP DUES

During the year ended May 31, 2016, IDA changed its information dissemination strategy to align more with its mission by offering materials on its website to members and non-members at the same time. As membership no longer represents an exchange transaction, IDA began recognizing membership dues when the promise to give is made which aligns with the receipt of payment. As this was a change in business model, the adjustments are recorded in the year ended May 31, 2016. Approximately $342,000 of deferred membership dues were recognized during the year ended May 31, 2016 in addition to all membership dues receipts for the year ended May 31, 2016. The recognition of deferred membership revenue caused a one-year increase in membership dues revenue.

16. SUBSEQUENT EVENT

On June 29, 2016, IDA committed to hold a future conference in Oregon. Amounts committed under these agreements total $196,402.

17. 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. To date, no assets have been transferred to CERI. During the year ended May 31, 2016, IDA paid costs totaling approximately $185,000 for expenses related to CERI. These expenses will reduce the line of credit available to CERI once assets are transferred during the year ended May 31, 2017.

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 which is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. CERI had no unrelated income for the year ended May 31, 2016.

SUPPLEMENTARY INFORMATION

Supplemental Consolidated Schedule of Unrestricted Net Assets

		Board Designated					
	Undesignated	Branch Council	MSI Research Program	Initiatives	Operating Reserve	Board Designated Total	Total
Unrestricted net assets at May 31, 2014	$ 643,050	$ 75,462	$ 3,200	$ 677,696	$ 313,932	$ 1,070,290	$ 1,713,340
Change in unrestricted net assets	58,524	9,194	-	-	-	9,194	67,718
Unrestricted net assets at May 31, 2015	701,574	84,656	3,200	677,696	313,932	1,079,484	1,781,058
Change in unrestricted net assets	77,050	(7,127)	-	-	-	(7,127)	69,923
Unrestricted net assets at May 31, 2016	$ 778,624	$ 77,529	$ 3,200	$ 677,696	$ 313,932	$ 1,072,357	$ 1,850,981

See independent auditors' report.

THE INTERNATIONAL DYSLEXIA ASSOCIATION
AND SUBSIDIARY

Supplemental Consolidated Schedules of Functional Expenses

	For the year ended May 31, 2016					For the year ended May 31, 2015				
	Program Services	Management and General	Fundraising	Membership Development	Total	Program Services	Management and General	Fundraising	Membership Development	Total
Payroll and payroll related expenses	$ 808,313	$ 142,064	$ 41,165	$ 13,846	$ 1,005,388	$ 447,176	$ 209,883	$ 25,613	$ 54,305	$ 736,977
Professional fees	197,415	63,100	607	8,783	269,905	103,564	51,137	22,579	6,733	184,013
Equipment and facilities rental and maintenance	204,042	55,490	6,458	-	265,990	182,476	43,112	3,400	-	228,988
Branch dues and other branch support	163,846	-	-	-	163,846	143,108	-	-	-	143,108
Postage and delivery	80,957	1,033	2,088	26,303	110,381	78,409	451	659	17	79,536
Occupancy expenses	-	99,857	-	-	99,857	72,857	22,288	4,474	7,253	106,872
Staff travel and lodging	61,038	31,139	775	-	92,952	35,776	22,950	42	115	58,883
Board and committee expenses	75,629	7,357	-	-	82,986	58,368	8,420	-	-	66,788
Publications and educational items	72,789	-	-	-	72,789	87,442	-	-	-	87,442
Printing	50,807	1,652	-	19,129	71,588	73,119	628	-	-	73,747
Conference events expenses	65,448	-	-	-	65,448	48,830	-	-	-	48,830
Other expenses	8,359	41,912	11,006	40	61,317	5,879	43,597	6,648	857	56,981
Depreciation and amortization expense	47,170	9,555	2,388	597	59,710	44,945	13,750	2,760	4,474	65,929
Telephone	22,623	20,762	1	-	43,386	25,431	16,911	5	-	42,347
Supplies	24,433	11,097	190	-	35,720	24,203	10,637	1,601	103	36,544
Insurance	25,648	5,195	1,299	325	32,467	19,742	6,039	1,212	1,965	28,958
Special event - fundraisers	-	-	26,465	-	26,465	-	-	-	-	-
Speaker expenses	19,044	-	-	-	19,044	16,763	-	-	-	16,763
Advertising	7,001	-	367	-	7,368	-	-	-	-	-
Legal	3,666	240	-	-	3,906	-	-	-	-	-
	$ 1,938,228	$ 490,453	$ 92,809	$ 69,023	$ 2,590,513	$ 1,468,088	$ 449,803	$ 68,993	$ 75,822	$ 2,062,706

See independent auditors' report.

Supplemental Consolidated Schedules of Program Service Expenses

	For the year ended May 31, 2016						For the year ended May 31, 2015				
	Conference	Membership Services	Branch Services	Publications and Information	Center for Effective Reading Instruction	Total	Conference	Membership Services	Branch Services	Publications and Information	Total
Payroll and payroll related expenses	$ 186,098	$ 124,704	$ 110,581	$ 172,726	$ 214,204	$ 808,313	$ 138,819	$ 113,306	$ 119,459	$ 75,592	$ 447,176
Equipment and facilities rental and maintenance	183,688	11,113	1,158	7,883	200	204,042	171,415	1,729	1,250	8,082	182,476
Professional fees	119,461	5,385	19,490	25,628	27,451	197,415	47,884	11,266	5,835	38,579	103,564
Branch dues and other branch support	-	145,068	18,778	-	-	163,846	8,125	132,447	2,536	-	143,108
Postage and delivery	56,279	1,641	481	21,737	819	80,957	27,572	26,667	259	23,911	78,409
Board and committee expenses	-	-	75,478	-	151	75,629	-	-	58,368	-	58,368
Publications and educational items	-	-	-	72,789	-	72,789	-	-	-	87,442	87,442
Conference events expenses	65,448	-	-	-	-	65,448	48,830	-	-	-	48,830
Staff travel and lodging	31,350	-	17,084	503	12,101	61,038	31,542	-	4,034	200	35,776
Printing	46,122	-	4,128	394	163	50,807	49,672	23,447	-	-	73,119
Depreciation and amortization expense	11,942	8,956	4,777	12,539	8,956	47,170	16,100	10,948	8,239	9,658	44,945
Insurance	6,493	4,870	2,597	6,818	4,870	25,648	7,072	4,809	3,619	4,242	19,742
Supplies	20,615	1,002	1,725	1,076	15	24,433	19,816	1,625	1,258	1,504	24,203
Telephone	20,495	409	1,025	429	265	22,623	23,810	17	323	1,281	25,431
Speaker expenses	19,044	-	-	-	-	19,044	16,763	-	-	-	16,763
Other expenses	1,381	-	-	6,407	571	8,359	2,952	1,124	-	1,803	5,879
Advertising	4,604	204	-	275	1,918	7,001	-	-	-	-	-
Legal	-	-	-	3,666	-	3,666	-	-	-	-	-
Occupancy expenses	-	-	-	-	-	-	26,099	17,748	13,355	15,655	72,857
	$ 773,020	$ 303,352	$ 257,302	$ 332,870	$ 271,684	$ 1,938,228	$ 636,471	$ 345,133	$ 218,535	$ 267,949	$ 1,468,088

See independent auditors' report.