

**INTERNATIONAL LITERACY ASSOCIATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2018 AND 2017**

# INTERNATIONAL LITERACY ASSOCIATION

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JUNE 30, 2018 AND 2017

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Certified Public Accountants

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***Independent Auditors' Report***

To the Board of Directors of  
International Literacy Association

We have audited the accompanying consolidated financial statements of International Literacy Association and affiliate (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and 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 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.

To the Board of Directors of  
International Literacy Association

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 International Literacy Association and affiliate as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, consolidating statements of activities, and schedules of functional expenses included on pages 23 through 30 are presented for purposes of additional analysis and are not required parts 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information 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.

*Belfint, Lyons & Shuman, P.A.*

October 29, 2018  
Wilmington, Delaware

**INTERNATIONAL LITERACY ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,204,150	\$ 2,157,606
Accounts Receivable - Net	108,614	81,008
Grants Receivable	324,000	-
Interest Receivable	2,458	1,008
Deferred Rent Receivable	38,022	-
Publication Inventory	14,966	28,597
Prepaid Expenses and Other	1,075,555	1,052,668
<b>TOTAL CURRENT ASSETS</b>	<u>3,767,765</u>	<u>3,320,887</u>
<b>OTHER ASSETS</b>		
Investments	5,204,570	8,016,237
Property and Equipment - Net	1,223,753	1,179,287
Land Not Used in Operations	905,666	905,666
Assets Held in Charitable Remainder Trust	102,493	102,404
<b>TOTAL OTHER ASSETS</b>	<u>7,436,482</u>	<u>10,203,594</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,204,247</u>	<u>\$ 13,524,481</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 294,874	\$ 177,242
Deferred Revenues	3,315,589	3,662,231
Accrued Expenses	423,213	567,648
Current Maturities of Capital Lease Payable	15,867	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>4,049,543</u>	<u>4,407,121</u>
<b>OTHER LIABILITIES</b>		
Amounts Held for Others in Charitable Remainder Trust	74,938	75,842
Capital Lease Payable (Net of Current Maturities)	43,265	-
<b>TOTAL OTHER LIABILITIES</b>	<u>118,203</u>	<u>75,842</u>
<b>TOTAL LIABILITIES</b>	<u>4,167,746</u>	<u>4,482,963</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	(2,145,777)	(1,988,145)
Board-Designated	8,302,282	10,142,205
Total Unrestricted	<u>6,156,505</u>	<u>8,154,060</u>
Temporarily Restricted	702,441	710,896
Permanently Restricted	177,555	176,562
<b>TOTAL NET ASSETS</b>	<u>7,036,501</u>	<u>9,041,518</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,204,247</u>	<u>\$ 13,524,481</u>

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

**INTERNATIONAL LITERACY ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>REVENUE AND OTHER SUPPORT</b>				
Constituent Services	\$ 1,387,364	\$ -	\$ -	\$ 1,387,364
Education and Research	1,314,767	-	-	1,314,767
Conferences	2,645,161	-	-	2,645,161
Contributions and Grants	117,929	1,583,865	-	1,701,794
Investment Income	287,237	25,582	-	312,819
Change in Value of Interest in Charitable Trust	-	-	993	993
Other Revenue	91,069	-	-	91,069
<b>Total Revenue</b>	<b>5,843,527</b>	<b>1,609,447</b>	<b>993</b>	<b>7,453,967</b>
Net Assets Released from Restrictions	1,617,902	(1,617,902)	-	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>7,461,429</b>	<b>(8,455)</b>	<b>993</b>	<b>7,453,967</b>
<b>EXPENSES</b>				
Program Services				
Constituent Services	1,810,275	-	-	1,810,275
Education and Research	1,223,886	-	-	1,223,886
Conferences	2,846,292	-	-	2,846,292
Other Programs	1,385,146	-	-	1,385,146
<b>Total Program Services</b>	<b>7,265,599</b>	<b>-</b>	<b>-</b>	<b>7,265,599</b>
Supporting Services				
Management and General	1,862,075	-	-	1,862,075
Fundraising	331,310	-	-	331,310
<b>Total Supporting Services</b>	<b>2,193,385</b>	<b>-</b>	<b>-</b>	<b>2,193,385</b>
<b>TOTAL EXPENSES</b>	<b>9,458,984</b>	<b>-</b>	<b>-</b>	<b>9,458,984</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,997,555)</b>	<b>(8,455)</b>	<b>993</b>	<b>(2,005,017)</b>
<b>NET ASSETS - Beginning of Year</b>	<b>8,154,060</b>	<b>710,896</b>	<b>176,562</b>	<b>9,041,518</b>
<b>NET ASSETS - End of Year</b>	<b>\$ 6,156,505</b>	<b>\$ 702,441</b>	<b>\$ 177,555</b>	<b>\$ 7,036,501</b>

**2017**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 1,386,524	\$ -	\$ -	\$ 1,386,524
1,592,581	-	-	1,592,581
2,972,350	-	-	2,972,350
1,236,657	536,424	-	1,773,081
552,296	39,972	-	592,268
-	-	2,542	2,542
23,466	-	-	23,466
7,763,874	576,396	2,542	8,342,812
459,147	(459,147)	-	-
8,223,021	117,249	2,542	8,342,812
2,162,520	-	-	2,162,520
1,360,852	-	-	1,360,852
3,057,076	-	-	3,057,076
1,303,991	-	-	1,303,991
7,884,439	-	-	7,884,439
2,238,188	-	-	2,238,188
228,000	-	-	228,000
2,466,188	-	-	2,466,188
10,350,627	-	-	10,350,627
(2,127,606)	117,249	2,542	(2,007,815)
10,281,666	593,647	174,020	11,049,333
\$ 8,154,060	\$ 710,896	\$ 176,562	\$ 9,041,518

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

**INTERNATIONAL LITERACY ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers, Gifts, and Grants	\$ 6,399,436	\$ 7,467,804
Cash Paid to Suppliers and Employees	(9,410,174)	(10,079,538)
Interest and Dividends Received	135,489	149,424
Interest Paid	(1,414)	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(2,876,663)</b>	<b>(2,462,310)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(56,539)	(1,426)
Proceeds from Disposal of Property and Equipment	-	-
Purchase of Investments	(2,095,381)	(1,292,242)
Proceeds from Disposal of Investments	5,082,928	3,449,369
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>2,931,008</b>	<b>2,155,701</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of Obligations Under Capital Lease	(7,801)	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	46,544	(306,609)
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<b>2,157,606</b>	<b>2,464,215</b>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 2,204,150</b>	<b>\$ 2,157,606</b>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of Property and Equipment through Capital Lease	\$ 66,933	\$ -

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



**INTERNATIONAL LITERACY ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,005,017)	\$ (2,007,815)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation and Amortization	79,006	96,391
Loss on Disposal of Property and Equipment	-	878
Bad Debt Expense	4,449	-
Reduction of Publication Inventory Reserves	(35,374)	(17,207)
Change in Value of Interest in Charitable Trust	(993)	(2,542)
Net Realized and Unrealized Gain on Investments	(175,880)	(443,269)
Change in Assets		
Accounts Receivable	(32,055)	27,390
Grant Receivable	(324,000)	-
Interest Receivable	(1,450)	425
Deferred Rent Receivable	(38,022)	-
Publication Inventory	49,005	74,978
Prepaid Expenses and Other	(22,887)	92,298
Change in Liabilities		
Accounts Payable	117,632	32,760
Deferred Revenue	(346,642)	(308,466)
Accrued Expenses	(144,435)	(8,131)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (2,876,663)</b>	<b>\$ (2,462,310)</b>

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

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: NATURE OF ACTIVITIES**

*Nature of Activities* - International Literacy Association (ILA) is a 501(c)(3) tax-exempt organization. Its mission is to promote literacy worldwide by improving the quality of reading instruction through the study of the reading process and teaching techniques, to serve as a clearinghouse for the dissemination of reading research through conferences, journals, and other publications, and to actively encourage the lifetime reading habit.

Since June 30, 2014, International Reading Association, Inc. (IRA) began operating under the name International Literacy Association (ILA). Management of IRA formed a separate Delaware nonprofit corporation in 2013 under the name International Literacy Association for the purpose of receiving 100% of the activities of IRA. The purpose of transferring 100% of the activities to ILA allowed the organization to move jurisdiction from Pennsylvania to Delaware, which is the jurisdiction of its operations. The transfer of assets, liabilities, and activities occurred on July 1, 2017. Upon the completion of the transfer, IRA ceased to exist and left ILA as the surviving organization.

On June 23, 2015, International Literacy Association was granted sole corporate membership of the Foundation for Impact on Literacy and Learning (Foundation), a separate nonprofit organization. This transaction was treated as an acquisition in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-805, *Business Combination*. The Foundation supports the programs of ILA.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

*Principles of Consolidation* - The accompanying consolidated financial statements include the accounts of ILA and the Foundation. All intercompany accounts and transactions have been eliminated. In these consolidated financial statements, ILA and the Foundation are collectively referred to as the Association.

*Basis of Presentation* - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Authoritative guidance requires that net assets and revenues, gains, expenses, and losses be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

*Permanently Restricted* - Net assets subject to donor-imposed stipulations that are maintained permanently by the Association.

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Basis of Presentation - Continued***

Temporarily Restricted - Net assets whose use by the Association is subject to donor-imposed stipulations that can be fulfilled by actions of the Association pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purpose by action of the Board of Directors.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

***Cash and Cash Equivalents*** - Cash and cash equivalents represent short-term securities purchased with an original maturity of three months or less and money market mutual funds. Cash equivalents are readily convertible to cash and are stated at fair value.

***Accounts Receivable*** - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The allowance for doubtful accounts was \$6,211 and \$15,194 as of June 30, 2018 and 2017, respectively.

***Grants Receivable*** - Grants receivable represent pledged grants to be received by the Association subsequent to year end. Management considers grants receivable to be fully collectible.

***Investments*** - Investments are carried at fair value. Investments in equity securities and debt securities with readily determinable fair values are determined based on quoted market prices.

Investment sales and purchases are determined by the specific identification method and are recorded on the trade date. Changes in fair value of investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Unrealized gains and losses are included in revenue and other support.

The Association also invests in a variety of alternative investments. Such investments are stated at net asset value, as reported by the partnership, as a practical expedient for fair value.

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Publication Inventory** - Publication inventory is valued at the lower of cost or market determined using the first-in, first-out basis. The Association estimates a reserve for obsolescence and slow-moving inventory based on a historical analysis of the quantity-on-hand compared to actual sales. Inactive products are reserved at 100%.

**Property, Plant, and Equipment** - Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Land is recorded at cost and is not depreciated. Maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets. Useful lives of depreciable assets are as follows:

Buildings and Improvements	15 to 40 Years
Furniture, Equipment, and Software	3 to 7 Years
Vehicles	7 Years

**Prepaid Expenses** - Prepaid expenses include postage, insurance, conference expenses, and travel advances.

**Deferred Revenue and Revenue Recognition** - Revenue from memberships and journal subscriptions is deferred and recognized on a straight-line basis over the term of the membership or subscription, which is primarily for one year.

Conference fees and related expenses are recognized in the period in which the event is held. Revenue from sale of publications is generally recognized when the product is shipped. Advertising and rental income are recorded on the accrual basis.

**Income Taxes** - ILA and the Foundation are nonprofit organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements. In addition, the organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been determined by the Internal Revenue Service (IRS) not to be "private foundations" within the meaning of Section 509(a)(2) of the IRC.

Income not related to the organizations' tax-exempt purposes may be subject to taxation as unrelated business income. Accounting principles generally accepted in the United States of America impose a threshold for determining when an income tax benefit can be recognized in regard to uncertain tax positions. The Association has determined that no liability for uncertain tax positions is required to be accrued and included in the consolidated statements of financial position as of June 30, 2018.

The federal informational returns of ILA and the Foundation for fiscal years ended in 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Advertising* - Non-direct-response advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2018 and 2017 were \$356,493 and \$314,709, respectively. Direct-response advertising costs related to conferences are capitalized and recognized as expenses upon the occurrence of the conferences. Capitalized advertising costs for the years ended June 30, 2018 and 2017 were \$140,884 and \$21,560, respectively.

*Shipping and Handling* - Shipping and handling costs for educational resource publications and materials are expensed as incurred. Shipping and handling costs were \$49,710 and \$66,677 for the years ended June 30, 2018 and 2017, respectively.

*Use of Estimates* - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

*Concentration of Credit Risk* - The Association maintains its cash and cash equivalents in various financial institutions that, at times, may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As June 30, 2018 and 2017, the Association had \$941,963 and \$1,796,560, respectively, in excess of FDIC-insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Other financial instruments that potentially subject the Association to concentrations of credit risk consist principally of accounts receivable and investments. Concentrations of credit risk with respect to accounts receivable are limited due to the number of customers comprising the receivable balance and their dispersion throughout the country. Concentrations of credit risk with respect to investments are limited due to the placement of its investments with a professional investment advisor that oversees the portfolio's managers.

*Subsequent Events* - The Association's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the consolidated financial statements were available to be issued, and there were no subsequent events that required disclosure in the notes to the consolidated financial statements.

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 3: PUBLICATION INVENTORY**

Publication inventory was comprised of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Finished Goods	\$ 44,085	\$ 93,394
Other Merchandise	<u>13,877</u>	<u>13,573</u>
	57,962	106,967
Less: Obsolescence Reserve	<u>42,996</u>	<u>78,370</u>
	<u><u>\$ 14,966</u></u>	<u><u>\$ 28,597</u></u>

**NOTE 4: INVESTMENTS**

Investments consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Cash Funds Restricted for Endowment	\$ 53,850	\$ 11,291
Mutual Funds		
International Equity	329,989	745,526
Domestic Equity	1,117,967	1,650,791
Fixed Income	2,149,425	2,945,767
Other Funds	720,585	354,510
Debt Instruments		
Mortgage-Backed Securities	9,179	14,886
Alternative Investments	<u>823,575</u>	<u>2,293,466</u>
	<u><u>\$ 5,204,570</u></u>	<u><u>\$ 8,016,237</u></u>

Investment gain (loss) consisted of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Unrealized Gains (Losses)	\$ (362,080)	\$ 273,163
Realized Gains	537,960	170,106
Interest and Dividends	154,222	166,449
Investment Advisory Fees	<u>(17,283)</u>	<u>(17,450)</u>
	<u><u>\$ 312,819</u></u>	<u><u>\$ 592,268</u></u>

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 4: INVESTMENTS - CONTINUED**

*Net Asset Value, as a Practical Expedient for Fair Value* - The following table presents the attributes of the Association's alternative investments, which are stated at net asset value as a practical expedient for fair value, as reported by the funds:

2018				
Class of Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments				
Absolute Return Funds	(a) \$ -	\$ -	Semi-Annual	90 Days
Real Estate Funds	(b) 83,523	-	N/A	N/A
Private Equity Funds	(c) <u>740,052</u>	<u>210,000</u>	N/A	N/A
Total	<u>\$ 823,575</u>	<u>\$ 210,000</u>		
2017				
Class of Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments				
Absolute Return Funds	(a) \$ 1,290,056	\$ -	Semi-Annual	90 Days
Real Estate Funds	(b) 119,836	-	N/A	N/A
Private Equity Funds	(c) <u>883,574</u>	<u>210,000</u>	N/A	N/A
Total	<u>\$ 2,293,466</u>	<u>\$ 210,000</u>		

(a) *Absolute Return Fund* - Investments in this category focus on multi-strategy investing including, but not limited to, a variety of arbitrage strategies, distressed investments, private equity, long/short equity, special situations, and convertible hedging. These funds can be redeemed semi-annually with a 90-day notice period.

(b) *Real Estate Funds* - This category's investments include any interest in or vehicle relating to real estate assets. As of June 30, 2018 and 2017, there were no redemption provisions for these funds. Distributions of available funds are made at the manager's discretion.

(c) *Private Equity Funds* - Holdings in this category include private equity, venture capital funds, buyout funds, secondary funds, and direct investments. As of June 30, 2018 and 2017, there were no redemption provisions for these funds. Distributions of available funds are made at the manager's discretion.

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 4: INVESTMENTS - CONTINUED**

Under the terms of certain limited partnership agreements, the Association is obligated to periodically advance additional funding. As of June 30, 2018 and 2017, the Association had outstanding commitments of approximately \$210,000 to provide funding to limited partnerships.

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,089,848	\$ 1,089,848
Buildings and Improvements	3,044,878	3,047,578
Furniture, Equipment, and Software	<u>3,772,712</u>	<u>4,277,328</u>
	7,907,438	8,414,754
Land Not Used in Operations	<u>(905,666)</u>	<u>(905,666)</u>
	7,001,772	7,509,088
Accumulated Depreciation	<u>(5,778,019)</u>	<u>(6,329,801)</u>
Property and Equipment - Net	<u>\$ 1,223,753</u>	<u>\$ 1,179,287</u>

Total depreciation expense for the years ended June 30, 2018 and 2017 was \$79,006 and \$96,391, respectively.

**NOTE 6: SPLIT-INTEREST AGREEMENTS**

The Association holds investments as the trustee of a charitable remainder trust. During the term of the trust, the Association will make payments annually to the designated income beneficiary equal to 6% of the fair value of the trust's assets on the first day of the year. Upon the death of the income beneficiary, the Association will receive the undistributed remainder of the principal and income in the trust.



**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 6: SPLIT-INTEREST AGREEMENTS - CONTINUED**

The trust's assets are measured at fair value and are reported in the consolidated statements of financial position as assets held in charitable remainder trust in the amount of \$102,493 and \$102,404 as of June 30, 2018 and 2017, respectively. The Association recognizes a liability for the estimated present value of payments to be made to the income beneficiary. The liability is reported in the consolidated statements of financial position as amounts held for others in charitable remainder trust. The liability was determined using the estimated life expectancy of the income beneficiary and was discounted to present value using a rate of 8%, based on the estimated rate of return on the trust's portfolio assets. As of June 30, 2018 and 2017, the liability was \$74,938 and \$75,842, respectively. The remainder of principal and interest to be received by the Association is restricted to an endowment fund for public education awards. As a result, net assets from the Association's irrevocable beneficial interest in charitable remainder trusts are reported as permanently restricted.

**NOTE 7: EMPLOYEE RETIREMENT PLAN**

The Association sponsors a defined contribution (money purchase) retirement plan (Plan) for the benefit of its employees. All salaried employees who work 1,000 hours or more per year are eligible to participate in the Plan.

On November 1, 2016, the Association lowered the contribution to fund the Plan from 9% to 4.5% of each participant's compensation. These contributions vest immediately. Employees may voluntarily elect to supplement the Association's contributions. Expenses associated with the Plan amounted to \$150,693 and \$220,862 during the years ended June 30, 2018 and 2017, respectively.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

As of June 30, 2018, the Association had commitments of approximately \$1,590,000 for conference-related services, which are expected to be incurred between 2019 and 2021.

**NOTE 9: NET ASSETS**

The Board of Directors retains full control over the unrestricted board-designated net assets to achieve any of its institutional purposes. As of June 30, 2018 and 2017, the Association maintained board-designated net assets for several projects.

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 9: NET ASSETS - CONTINUED**

Temporarily restricted net assets consisted of the following as of June 30:

	2018	2017
Cumulative Earnings on Endowed Funds - Restricted for Research	\$ 171,307	\$ 149,602
Delaware Early Literacy Project	110,507	124,901
James Flood/Diane Lapp Professional Collaborator Award	50,116	-
Partnership Development Fund	7,180	-
Shanahan Outstanding Dissertation Award Fund	50,426	-
William S. Gray Citation of Merit	10,048	-
Foundation - Lead2Feed World Hunger Leadership Challenge	289,028	417,411
Foundation - YUM Foundation	-	9,580
Foundation - Panasonic Student Eco Citizenship Project	13,829	9,402
	\$ 702,441	\$ 710,896

Permanently restricted net assets consisted of the following as of June 30:

	2018	2017
Corpus of Endowed Funds (Note 11)	\$ 150,000	\$ 150,000
Beneficial Interest in Charitable Remainder Trust	27,555	26,562
	\$ 177,555	\$ 176,562

**NOTE 10: FAIR VALUE MEASUREMENTS**

The Association follows the provisions of ASC 820, *Fair Value Measurements and Disclosure*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Since valuations are based on quoted market prices that are readily and regularly available in an active market, it does not entail a significant degree of judgment.

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 10: FAIR VALUE MEASUREMENTS - CONTINUED**

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair values of assets measured on a recurring basis as of June 30 were as follows:

	2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash Funds	\$ 53,850	\$ 53,850	\$ -	\$ -
Mutual Funds				
International Equity	329,989	329,989	-	-
Domestic Equity	1,117,967	1,117,967	-	-
Fixed Income	2,149,425	2,149,425	-	-
Other Funds	720,585	720,585	-	-
Debt Instruments				
Mortgage-Backed Securities	9,179	9,179	-	-
Total Investments	4,380,995	4,380,995	-	-
Assets Held in Charitable Trust	102,493	102,493	-	-
Assets Measured at Fair Value	<u>\$ 4,483,488</u>	<u>\$ 4,483,488</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Investments Measured at Net Asset Value</i>				
Alternative Investments	<u>\$ 823,575</u>			

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 10: FAIR VALUE MEASUREMENTS - CONTINUED**

	2017			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash Funds	\$ 11,291	\$ 11,291	\$ -	\$ -
Mutual Funds				
International Equity	745,526	745,526	-	-
Domestic Equity	1,650,791	1,650,791	-	-
Fixed Income	2,945,767	2,945,767	-	-
Other Funds	354,510	354,510	-	-
Debt Instruments				
Mortgage-Backed Securities	<u>14,886</u>	<u>14,886</u>	<u>-</u>	<u>-</u>
Total Investments	5,722,771	5,722,771	-	-
Assets Held in Charitable Trust	<u>102,404</u>	<u>102,404</u>	<u>-</u>	<u>-</u>
Assets Measured at Fair Value	<u>\$ 5,825,175</u>	<u>\$ 5,825,175</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Investments Measured at Net Asset Value</i>				
Alternative Investments	<u>\$ 2,293,466</u>			

The Association recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels during the years ended June 30, 2018 and 2017.

The fair values of investments in marketable securities with readily determinable fair values are estimated based on quoted market prices.

Investments in limited partnerships and LLCs that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position. See Note 4 for detail of investments measured at net asset value.

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 11: ENDOWMENT FUNDS**

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds and long-term financial stability. The endowment includes donor-restricted endowment funds and endowment funds designated by the Board of Directors to function as quasi-endowments.

***Interpretation of Relevant Law*** - The Association has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Interest and dividends earned on the endowment funds are classified as temporarily restricted in accordance with the donor's wishes.

***Funds with Deficiencies*** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature are reported by a charge to unrestricted net assets and a corresponding increase to either permanently restricted net assets or temporarily restricted net assets as appropriate. As of June 30, 2018 and 2017, the Association did not record any charges to unrestricted net assets for deficiencies in funds.

***Endowment Spending Policy*** - The Association's policy stipulates that spending from quasi-endowment and endowment can be up to 5% of the December 31 market value prior to the start of the fiscal year, unless otherwise approved by the Board of Directors in the current operating budget.

***Return Objectives and Risk Parameters*** - The Association has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that equal or exceed annual inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

***Strategies Employed for Achieving Objectives*** - To satisfy its long-term rate-of-return objectives, the Association relies on a strategy in which investment returns are achieved through current yield (interest and dividends). The

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 11: ENDOWMENT FUNDS - CONTINUED**

*Strategies Employed for Achieving Objectives - Continued* - Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Endowment Composition*

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted - Endowment Funds	\$ -	\$ 171,307	\$ 150,000	\$ 321,307
Donor-Restricted - Award and Merit Funds	-	110,627	-	110,627
Board-Designated Funds	5,895,567	-	-	5,895,567
<b>Total</b>	<b>\$ 5,895,567</b>	<b>\$ 281,934</b>	<b>\$ 150,000</b>	<b>\$ 6,327,501</b>

  

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted - Endowment Funds	\$ -	\$ 149,602	\$ 150,000	\$ 299,602
Board-Designated Funds	7,742,897	-	-	7,742,897
<b>Total</b>	<b>\$ 7,742,897</b>	<b>\$ 149,602</b>	<b>\$ 150,000</b>	<b>\$ 8,042,499</b>

*Endowment Fund Activity* - Changes in the fund's net assets for the year ended June 30, 2018 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Fund's Net Assets - July 1, 2017	\$ 7,742,897	\$ 149,602	\$ 150,000	\$ 8,042,499
Interest and Dividends	140,449	13,773	-	154,222
Unrealized Losses on Investments	(357,574)	(4,506)	-	(362,080)
Realized Gains on Investments	520,455	17,505	-	537,960
Investment Advisory Fees	(16,093)	(1,190)	-	(17,283)
Contributions/Deposits	433	110,000	-	110,433
Appropriated for Expenditure	(2,135,000)	(3,250)	-	(2,138,250)
<b>Fund's Net Assets - June 30, 2018</b>	<b>\$ 5,895,567</b>	<b>\$ 281,934</b>	<b>\$ 150,000</b>	<b>\$ 6,327,501</b>

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 11: ENDOWMENT FUNDS - CONTINUED**

*Endowment Fund Activity - Continued*

Changes in the fund's net assets for the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Fund's Net Assets - July 1, 2016	\$ 10,204,047	\$ 115,630	\$ 150,000	\$ 10,469,677
Interest and Dividends	158,012	8,437	-	166,449
Unrealized Gains on Investments	253,789	19,374	-	273,163
Realized Gains on Investments	157,138	12,968	-	170,106
Investment Advisory Fees	(16,643)	(807)	-	(17,450)
Contributions/Deposits	231	-	-	231
Appropriated for Expenditure	<u>(3,013,677)</u>	<u>(6,000)</u>	<u>-</u>	<u>(3,019,677)</u>
Fund's Net Assets - June 30, 2017	<u>\$ 7,742,897</u>	<u>\$ 149,602</u>	<u>\$ 150,000</u>	<u>\$ 8,042,499</u>

**NOTE 12: LEASES AS LESSEE**

During the years ended June 30, 2018 and 2017, the Association leased office equipment and office space under lease agreements that expire through May 2021.

The Association also leased office equipment under a noncancelable capital lease agreement which expires in December 2022. The cost of equipment under the capital lease is included in the consolidated statements of financial position as property and equipment. Amortization of assets under the capital lease is included in depreciation expense.

The following is a summary of equipment held under capital leases as of June 30:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 66,933	\$ -
Less: Accumulated Depreciation	<u>(8,367)</u>	<u>-</u>
	<u>\$ 58,566</u>	<u>\$ -</u>

**INTERNATIONAL LITERACY ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 12: LEASES AS LESSEE - CONTINUED**

As of June 30, 2018, future minimum lease payments are as follows:

	Capital Leases	Operating Leases
2019	\$ 18,432	\$ 113,906
2020	18,432	117,323
2021	18,432	120,843
2022	<u>9,216</u>	<u>-</u>
Total Future Minimum Lease Payments	64,512	<u>\$ 352,072</u>
Less: Amount Representing Imputed Interest	5,380	
Present Value of Future Minimum Lease Payments	59,132	
Less: Current Maturities of Capital Lease Obligations	<u>15,867</u>	
Capital Lease Obligations - Net of Current Maturities	<u>\$ 43,265</u>	

**NOTE 13: LEASES AS LESSOR**

The Association entered into a lease agreement effective June 2018 to lease approximately 29,000 square feet to a tenant. The lease expires in July 2021 with renewal options available to the tenant. Rental income for the years ended June 30, 2018 and 2017 totaled \$38,022, and \$0, respectively.

As of June 30, 2018, future minimum rental payments to be received on noncancelable operating leases are contractually due as follows for the years ending June 30:

2019	\$ 373,791
2020	506,156
2021	521,340
2022	<u>43,551</u>
	<u>\$ 1,444,838</u>



**SUPPLEMENTARY INFORMATION**

**INTERNATIONAL LITERACY ASSOCIATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

	<b>International Literacy Association</b>	<b>Foundation for Impact on Literacy and Learning</b>	<b>Eliminating Entries</b>	<b>Consolidating Totals</b>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 1,573,525	\$ 630,625	\$ -	\$ 2,204,150
Accounts Receivable - Net	115,560	-	(6,946)	108,614
Grants Receivable	-	324,000	-	324,000
Interest Receivable	2,458	-	-	2,458
Deferred Rent Receivable	38,022	-	-	38,022
Publication Inventory	14,966	-	-	14,966
Prepaid Expenses and Other	1,075,555	-	-	1,075,555
<b>TOTAL CURRENT ASSETS</b>	<b>2,820,086</b>	<b>954,625</b>	<b>(6,946)</b>	<b>3,767,765</b>
<b>OTHER ASSETS</b>				
Investments	5,204,570	-	-	5,204,570
Property and Equipment - Net	1,223,753	-	-	1,223,753
Land Not Used in Operations	905,666	-	-	905,666
Assets Held in Charitable Remainder Trust	102,493	-	-	102,493
<b>TOTAL OTHER ASSETS</b>	<b>7,436,482</b>	<b>-</b>	<b>-</b>	<b>7,436,482</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,256,568</b>	<b>\$ 954,625</b>	<b>\$ (6,946)</b>	<b>\$ 11,204,247</b>
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 214,854	\$ 86,966	\$ (6,946)	\$ 294,874
Deferred Revenues	3,315,589	-	-	3,315,589
Accrued Expenses	423,213	-	-	423,213
Current Maturities of Capital Lease Payable	15,867	-	-	15,867
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,969,523</b>	<b>86,966</b>	<b>(6,946)</b>	<b>4,049,543</b>
<b>OTHER LIABILITIES</b>				
Amounts Held for Others in Charitable Remainder Trust	74,938	-	-	74,938
Capital Lease Payable (Net of Current Maturities)	43,265	-	-	43,265
<b>TOTAL OTHER LIABILITIES</b>	<b>118,203</b>	<b>-</b>	<b>-</b>	<b>74,938</b>
<b>TOTAL LIABILITIES</b>	<b>4,087,726</b>	<b>86,966</b>	<b>(6,946)</b>	<b>4,167,746</b>
<b>NET ASSETS</b>				
Unrestricted				
Undesignated	(2,710,579)	564,802	-	(2,145,777)
Board-Designated	8,302,282	-	-	8,302,282
Total Unrestricted	5,591,703	564,802	-	6,156,505
Temporarily Restricted	399,584	302,857	-	702,441
Permanently Restricted	177,555	-	-	177,555
<b>TOTAL NET ASSETS</b>	<b>6,168,842</b>	<b>867,659</b>	<b>-</b>	<b>7,036,501</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,256,568</b>	<b>\$ 954,625</b>	<b>\$ (6,946)</b>	<b>\$ 11,204,247</b>

**INTERNATIONAL LITERACY ASSOCIATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

	<b>International Literacy Association</b>	<b>Foundation for Impact on Literacy and Learning</b>	<b>Eliminating Entries</b>	<b>Consolidating Totals</b>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 1,319,671	\$ 837,935	\$ -	\$ 2,157,606
Accounts Receivable - Net	87,974	-	(6,966)	81,008
Grants Receivable	-	-	-	-
Interest Receivable	1,008	-	-	1,008
Deferred Rent Receivable	-	-	-	-
Publication Inventory	28,597	-	-	28,597
Prepaid Expenses and Other	1,052,668	-	-	1,052,668
<b>TOTAL CURRENT ASSETS</b>	<b>2,489,918</b>	<b>837,935</b>	<b>(6,966)</b>	<b>3,320,887</b>
<b>OTHER ASSETS</b>				
Investments	8,016,237	-	-	8,016,237
Property and Equipment - Net	1,179,287	-	-	1,179,287
Land Not Used in Operations	905,666	-	-	905,666
Assets Held in Charitable Remainder Trust	102,404	-	-	102,404
<b>TOTAL OTHER ASSETS</b>	<b>10,203,594</b>	<b>-</b>	<b>-</b>	<b>10,203,594</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,693,512</b>	<b>\$ 837,935</b>	<b>\$ (6,966)</b>	<b>\$ 13,524,481</b>
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 177,242	\$ 6,966	\$ (6,966)	\$ 177,242
Deferred Revenues	3,662,231	-	-	3,662,231
Accrued Expenses	567,648	-	-	567,648
Current Maturities of Capital Lease Payable	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,407,121</b>	<b>6,966</b>	<b>(6,966)</b>	<b>4,407,121</b>
<b>OTHER LIABILITIES</b>				
Amounts Held for Others in Charitable Remainder Trust	75,842	-	-	75,842
Capital Lease Payable (Net of Current Maturities)	-	-	-	-
<b>TOTAL OTHER LIABILITIES</b>	<b>75,842</b>	<b>-</b>	<b>-</b>	<b>75,842</b>
<b>TOTAL LIABILITIES</b>	<b>4,482,963</b>	<b>6,966</b>	<b>(6,966)</b>	<b>4,482,963</b>
<b>NET ASSETS</b>				
Unrestricted				
Undesignated	(2,382,721)	394,576	-	(1,988,145)
Board-Designated	10,142,205	-	-	10,142,205
Total Unrestricted	7,759,484	394,576	-	8,154,060
Temporarily Restricted	274,503	436,393	-	710,896
Permanently Restricted	176,562	-	-	176,562
<b>TOTAL NET ASSETS</b>	<b>8,210,549</b>	<b>830,969</b>	<b>-</b>	<b>9,041,518</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,693,512</b>	<b>\$ 837,935</b>	<b>\$ (6,966)</b>	<b>\$ 13,524,481</b>

**INTERNATIONAL LITERACY ASSOCIATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	<b>International Literacy Association</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>REVENUE AND OTHER SUPPORT</b>				
Constituent Services	\$ 1,387,364	\$ -	\$ -	\$ 1,387,364
Education and Research	1,314,767	-	-	1,314,767
Conferences	2,645,161	-	-	2,645,161
Contributions and Grants	68,921	218,865	-	287,786
Investment Income	287,237	25,582	-	312,819
Change in Value of Interest in Charitable Trust	-	-	993	993
Other Revenue	89,807	-	-	89,807
<b>Total Revenue</b>	<b>5,793,257</b>	<b>244,447</b>	<b>993</b>	<b>6,038,697</b>
Net Assets Released from Restrictions	119,366	(119,366)	-	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>5,912,623</b>	<b>125,081</b>	<b>993</b>	<b>6,038,697</b>
<b>EXPENSES</b>				
Program Services				
Constituent Services	1,810,275	-	-	1,810,275
Education and Research	1,223,886	-	-	1,223,886
Conferences	2,846,292	-	-	2,846,292
Other Programs	110,659	-	-	110,659
<b>Total Program Services</b>	<b>5,991,112</b>	<b>-</b>	<b>-</b>	<b>5,991,112</b>
Supporting Services				
Management and General	1,757,982	-	-	1,757,982
Fundraising	331,310	-	-	331,310
<b>Total Supporting Services</b>	<b>2,089,292</b>	<b>-</b>	<b>-</b>	<b>2,089,292</b>
<b>TOTAL EXPENSES</b>	<b>8,080,404</b>	<b>-</b>	<b>-</b>	<b>8,080,404</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,167,781)</b>	<b>125,081</b>	<b>993</b>	<b>(2,041,707)</b>
<b>NET ASSETS - Beginning of Year</b>	<b>7,759,484</b>	<b>274,503</b>	<b>176,562</b>	<b>8,210,549</b>
<b>NET ASSETS - End of Year</b>	<b>\$ 5,591,703</b>	<b>\$ 399,584</b>	<b>\$ 177,555</b>	<b>\$ 6,168,842</b>

**Foundation for Impact on Literacy and Learning**

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Eliminating Entries</u>	<u>Consolidating Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,387,364
-	-	-	-	-	1,314,767
-	-	-	-	-	2,645,161
49,008	1,365,000	-	1,414,008	-	1,701,794
-	-	-	-	-	312,819
-	-	-	-	-	993
1,262	-	-	1,262	-	91,069
<u>50,270</u>	<u>1,365,000</u>	<u>-</u>	<u>1,415,270</u>	<u>-</u>	<u>7,453,967</u>
<u>1,498,536</u>	<u>(1,498,536)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,548,806</u>	<u>(133,536)</u>	<u>-</u>	<u>1,415,270</u>	<u>-</u>	<u>7,453,967</u>
-	-	-	-	-	1,810,275
-	-	-	-	-	1,223,886
-	-	-	-	-	2,846,292
<u>1,274,487</u>	<u>-</u>	<u>-</u>	<u>1,274,487</u>	<u>-</u>	<u>1,385,146</u>
<u>1,274,487</u>	<u>-</u>	<u>-</u>	<u>1,274,487</u>	<u>-</u>	<u>7,265,599</u>
104,093	-	-	104,093	-	1,862,075
-	-	-	-	-	331,310
<u>104,093</u>	<u>-</u>	<u>-</u>	<u>104,093</u>	<u>-</u>	<u>2,193,385</u>
<u>1,378,580</u>	<u>-</u>	<u>-</u>	<u>1,378,580</u>	<u>-</u>	<u>9,458,984</u>
170,226	(133,536)	-	36,690	-	(2,005,017)
<u>394,576</u>	<u>436,393</u>	<u>-</u>	<u>830,969</u>	<u>-</u>	<u>9,041,518</u>
<u>\$ 564,802</u>	<u>\$ 302,857</u>	<u>\$ -</u>	<u>\$ 867,659</u>	<u>\$ -</u>	<u>\$ 7,036,501</u>

**INTERNATIONAL LITERACY ASSOCIATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	<b>International Literacy Association</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>REVENUE AND OTHER SUPPORT</b>				
Constituent Services	\$ 1,386,524	\$ -	\$ -	\$ 1,386,524
Education and Research	1,592,581	-	-	1,592,581
Conferences	2,972,350	-	-	2,972,350
Contributions and Grants	105,548	109,433	-	214,981
Investment Income	552,296	39,972	-	592,268
Change in Value of Interest in Charitable Trust	-	-	2,542	2,542
Other Revenue	23,253	-	-	23,253
<b>Total Revenue</b>	<b>6,632,552</b>	<b>149,405</b>	<b>2,542</b>	<b>6,784,499</b>
Net Assets Released from Restrictions	71,147	(71,147)	-	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>6,703,699</b>	<b>78,258</b>	<b>2,542</b>	<b>6,784,499</b>
<b>EXPENSES</b>				
Program Services				
Constituent Services	2,162,520	-	-	2,162,520
Education and Research	1,360,852	-	-	1,360,852
Conferences	3,057,076	-	-	3,057,076
Other Programs	119,547	-	-	119,547
<b>Total Program Services</b>	<b>6,699,995</b>	<b>-</b>	<b>-</b>	<b>6,699,995</b>
Supporting Services				
Management and General	2,110,831	-	-	2,110,831
Fundraising	228,000	-	-	228,000
<b>Total Supporting Services</b>	<b>2,338,831</b>	<b>-</b>	<b>-</b>	<b>2,338,831</b>
<b>TOTAL EXPENSES</b>	<b>9,038,826</b>	<b>-</b>	<b>-</b>	<b>9,038,826</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,335,127)</b>	<b>78,258</b>	<b>2,542</b>	<b>(2,254,327)</b>
<b>NET ASSETS - Beginning of Year</b>	<b>10,094,611</b>	<b>196,245</b>	<b>174,020</b>	<b>10,464,876</b>
<b>NET ASSETS - End of Year</b>	<b>\$ 7,759,484</b>	<b>\$ 274,503</b>	<b>\$ 176,562</b>	<b>\$ 8,210,549</b>

**Foundation for Impact on Literacy and Learning**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Eliminating Entries</b>	<b>Consolidating Totals</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,386,524
-	-	-	-	-	1,592,581
-	-	-	-	-	2,972,350
1,131,109	426,991	-	1,558,100	-	1,773,081
-	-	-	-	-	592,268
-	-	-	-	-	2,542
213	-	-	213	-	23,466
1,131,322	426,991	-	1,558,313	-	8,342,812
388,000	(388,000)	-	-	-	-
1,519,322	38,991	-	1,558,313	-	8,342,812
-	-	-	-	-	2,162,520
-	-	-	-	-	1,360,852
-	-	-	-	-	3,057,076
1,184,444	-	-	1,184,444	-	1,303,991
1,184,444	-	-	1,184,444	-	7,884,439
127,357	-	-	127,357	-	2,238,188
-	-	-	-	-	228,000
127,357	-	-	127,357	-	2,466,188
1,311,801	-	-	1,311,801	-	10,350,627
207,521	38,991	-	246,512	-	(2,007,815)
187,055	397,402	-	584,457	-	11,049,333
<u>\$ 394,576</u>	<u>\$ 436,393</u>	<u>\$ -</u>	<u>\$ 830,969</u>	<u>\$ -</u>	<u>\$ 9,041,518</u>

**INTERNATIONAL LITERACY ASSOCIATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	<b>Program Services</b>				<b>Supporting Services</b>				<b>Total</b>
	<b>Constituent Services</b>	<b>Education and Research</b>	<b>Conferences</b>	<b>Other Programs</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
Grants and Awards	\$ 11,250	\$ 45,027	\$ -	\$ -	\$ 56,277	\$ -	\$ -	\$ -	\$ 56,277
Salaries and Wages	837,738	583,080	898,480	13,068	2,332,366	940,977	208,733	1,149,710	3,482,076
Pension Plan	36,927	22,946	38,872	309	99,054	42,072	9,567	51,639	150,693
Other Employee Benefits	126,321	75,297	152,373	12,898	366,889	183,064	34,629	217,693	584,582
Payroll Taxes	63,024	43,491	65,007	518	172,040	70,041	15,702	85,743	257,783
Legal	39,680	8,268	10,335	-	58,283	20,669	-	20,669	78,952
Accounting	-	-	-	-	-	132,209	-	132,209	132,209
Bad Debt Expense	-	-	-	-	-	4,449	-	4,449	4,449
Professional Fundraising Services	-	-	-	-	-	-	4,361	4,361	4,361
Marketing and Promotion	105,302	11,224	227,288	166	343,980	9,438	3,074	12,512	356,492
Office Expenses	32,410	14,062	13,613	1,710	61,795	-	3,275	3,275	65,070
Information Technology	90,452	59,534	101,270	658	251,914	5,408	12,854	18,262	270,176
Occupancy	92,501	43,690	139,647	4,319	280,157	4,269	20,939	25,208	305,365
Travel - Staff	18,346	9,873	32,257	7,351	67,827	29,143	1,389	30,532	98,359
Travel - Board and Volunteers	-	16,315	5,042	44,317	65,674	60,971	-	60,971	126,645
Conferences	4,652	10,476	1,067,950	-	1,083,078	3,810	-	3,810	1,086,888
Interest	-	-	-	-	-	1,414	-	1,414	1,414
Depreciation	3,287	1,321	2,959	70	7,637	70,399	970	71,369	79,006
Insurance	-	-	6,420	-	6,420	39,362	-	39,362	45,782
Outside Services	58,476	132,199	69,966	23,571	284,212	64,513	11,618	76,131	360,343
Equipment Rental and Maintenance	1,414	691	1,547	36	3,688	-	330	330	4,018
Postage and Shipping	188,435	49,710	3,846	160	242,151	2,461	836	3,297	245,448
Printing	100,060	37,060	862	-	137,982	-	3,033	3,033	141,015
Professional Development	-	-	-	1,508	1,508	73,013	-	73,013	74,521
Return of Unused Grant Funds	-	-	-	-	-	-	-	-	-
Cost of Goods Sold	-	59,622	8,558	-	68,180	300	-	300	68,480
<b>TOTAL</b>	<b>\$ 1,810,275</b>	<b>\$ 1,223,886</b>	<b>\$ 2,846,292</b>	<b>\$ 110,659</b>	<b>\$ 5,991,112</b>	<b>\$ 1,757,982</b>	<b>\$ 331,310</b>	<b>\$ 2,089,292</b>	<b>\$ 8,080,404</b>



**INTERNATIONAL LITERACY ASSOCIATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	<b>Program Services</b>				<b>Supporting Services</b>			<b>Total</b>	
	<b>Constituent Services</b>	<b>Education and Research</b>	<b>Conferences</b>	<b>Other Programs</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>		<b>Total Supporting Services</b>
Grants and Awards	\$ 11,250	\$ 27,003	\$ -	\$ -	\$ 38,253	\$ -	\$ -	\$ -	\$ 38,253
Salaries and Wages	1,121,569	512,267	885,297	18,999	2,538,132	1,055,306	127,030	1,182,336	3,720,468
Pension Plan	69,813	33,852	49,888	-	153,553	59,351	7,958	67,309	220,862
Other Employee Benefits	160,939	91,190	137,651	6,762	396,542	236,963	17,065	254,028	650,570
Payroll Taxes	84,684	37,560	61,897	-	184,141	75,306	10,665	85,971	270,112
Legal	9,206	2,302	2,302	-	13,810	32,222	-	32,222	46,032
Accounting	-	-	-	-	-	137,413	100	137,513	137,513
Bad Debt Expense	-	-	-	-	-	-	-	-	-
Professional Fundraising Services	-	-	-	-	-	-	24,826	24,826	24,826
Marketing and Promotion	87,691	34,138	171,036	-	292,865	21,818	26	21,844	314,709
Office Expenses	29,242	4,559	5,798	632	40,231	42,753	131	42,884	83,115
Information Technology	67,307	54,900	90,711	-	212,918	121,392	6,660	128,052	340,970
Occupancy	71,090	32,509	87,175	32,995	223,769	28,108	14,396	42,504	266,273
Travel - Staff	23,646	1,486	18,951	8,717	52,800	30,081	1,442	31,523	84,323
Travel - Board and Volunteers	10,864	30,310	9,345	38,095	88,614	42,653	-	42,653	131,267
Conferences	8,807	22,713	1,466,835	-	1,498,355	1,167	11,267	12,434	1,510,789
Interest	-	-	-	-	-	-	-	-	-
Depreciation	13,759	3,303	5,808	-	22,870	72,038	1,483	73,521	96,391
Insurance	-	-	7,266	-	7,266	38,902	-	38,902	46,168
Outside Services	79,677	209,404	54,084	11,635	354,800	29,128	2,694	31,822	386,622
Equipment Rental and Maintenance	-	-	-	-	-	2,946	-	2,946	2,946
Postage and Shipping	175,299	66,677	785	92	242,853	8,660	11	8,671	251,524
Printing	137,080	29,851	898	-	167,829	1,720	2,246	3,966	171,795
Professional Development	150	-	909	1,620	2,679	72,904	-	72,904	75,583
Return of Unused Grant Funds	-	-	-	-	-	-	-	-	-
Cost of Goods Sold	447	166,828	440	-	167,715	-	-	-	167,715
<b>TOTAL</b>	<b>\$ 2,162,520</b>	<b>\$ 1,360,852</b>	<b>\$ 3,057,076</b>	<b>\$ 119,547</b>	<b>\$ 6,699,995</b>	<b>\$ 2,110,831</b>	<b>\$ 228,000</b>	<b>\$ 2,338,831</b>	<b>\$ 9,038,826</b>

**FOUNDATION FOR IMPACT ON LITERACY AND LEARNING**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>				<u>Supporting Services</u>				
	<u>Constituent Services</u>	<u>Education and Research</u>	<u>Conferences</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Grants and Awards	\$ -	\$ -	\$ -	\$ 179,000	\$ 179,000	\$ -	\$ -	\$ -	\$ 179,000
Salaries and Wages	-	-	-	-	-	-	-	-	-
Pension Plan	-	-	-	-	-	-	-	-	-
Other Employee Benefits	-	-	-	-	-	-	-	-	-
Payroll Taxes	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-
Accounting	-	-	-	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-	-	-	-	-
Professional Fundraising Services	-	-	-	-	-	-	-	-	-
Marketing and Promotion	-	-	-	224,986	224,986	-	-	-	224,986
Office Expenses	-	-	-	-	-	104,093	-	104,093	104,093
Information Technology	-	-	-	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-	-	-	-
Travel - Staff	-	-	-	55,635	55,635	-	-	-	55,635
Travel - Board and Volunteers	-	-	-	-	-	-	-	-	-
Conferences	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Outside Services	-	-	-	619,843	619,843	-	-	-	619,843
Equipment Rental and Maintenance	-	-	-	-	-	-	-	-	-
Postage and Shipping	-	-	-	26,592	26,592	-	-	-	26,592
Printing	-	-	-	88,431	88,431	-	-	-	88,431
Professional Development	-	-	-	-	-	-	-	-	-
Return of Unused Grant Funds	-	-	-	80,000	80,000	-	-	-	80,000
Cost of Goods Sold	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,274,487</u>	<u>\$ 1,274,487</u>	<u>\$ 104,093</u>	<u>\$ -</u>	<u>\$ 104,093</u>	<u>\$ 1,378,580</u>

**FOUNDATION FOR IMPACT ON LITERACY AND LEARNING**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total</u>	
	<u>Constituent Services</u>	<u>Education and Research</u>	<u>Conferences</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		<u>Total Supporting Services</u>
Grants and Awards	\$ -	\$ -	\$ -	\$ 435,332	\$ 435,332	\$ -	\$ -	\$ -	\$ 435,332
Salaries and Wages	-	-	-	-	-	-	-	-	-
Pension Plan	-	-	-	-	-	-	-	-	-
Other Employee Benefits	-	-	-	-	-	-	-	-	-
Payroll Taxes	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-
Accounting	-	-	-	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-	-	-	-	-
Professional Fundraising Services	-	-	-	-	-	-	-	-	-
Marketing and Promotion	-	-	-	192,860	192,860	-	-	-	192,860
Office Expenses	-	-	-	-	-	127,357	-	127,357	127,357
Information Technology	-	-	-	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-	-	-	-
Travel - Staff	-	-	-	40,958	40,958	-	-	-	40,958
Travel - Board and Volunteers	-	-	-	-	-	-	-	-	-
Conferences	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Outside Services	-	-	-	426,258	426,258	-	-	-	426,258
Equipment Rental and Maintenance	-	-	-	-	-	-	-	-	-
Postage and Shipping	-	-	-	17,017	17,017	-	-	-	17,017
Printing	-	-	-	72,019	72,019	-	-	-	72,019
Professional Development	-	-	-	-	-	-	-	-	-
Return of Unused Grant Funds	-	-	-	-	-	-	-	-	-
Cost of Goods Sold	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,184,444</u>	<u>\$ 1,184,444</u>	<u>\$ 127,357</u>	<u>\$ -</u>	<u>\$ 127,357</u>	<u>\$ 1,311,801</u>