

**National Center for
Learning Disabilities, Inc.**

Financial Statements

June 30, 2016 and 2015

Independent Auditors' Report

Board of Directors
National Center for Learning Disabilities, Inc.
New York, New York

We have audited the accompanying financial statements of National Center for Learning Disabilities, Inc. ("NCLD") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Center for Learning Disabilities, Inc. as of June 30, 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.

PKF O'Connor Davies, LLP

May 8, 2017

National Center for Learning Disabilities, Inc.

Statements of Financial Position

	June 30	
	2016	2015
ASSETS		
Cash	\$ 1,491,818	\$ 471,288
Contributions receivable (notes 3 and 9)	2,782,168	526,629
Prepaid expenses and other assets	63,610	162,374
Security deposits	79,144	79,144
Property and equipment, net (note 4)	<u>506,808</u>	<u>685,874</u>
Total Assets	<u>\$ 4,923,548</u>	<u>\$ 1,925,309</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 387,485	\$ 344,110
Accrued vacation	296,185	248,914
Deferred revenue	-	946
Deferred rent	<u>31,045</u>	<u>62,375</u>
Total Liabilities	<u>714,715</u>	<u>656,345</u>
Net Assets		
Unrestricted	704,140	493,592
Temporarily restricted (note 6)	<u>3,504,693</u>	<u>775,372</u>
Total Net Assets	<u>4,208,833</u>	<u>1,268,964</u>
Total Liabilities and Net Assets	<u>\$ 4,923,548</u>	<u>\$ 1,925,309</u>

See notes to financial statements

National Center for Learning Disabilities, Inc.

Statements of Activities

	Year Ended June 30					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT						
Revenue from annual fund-raising event	\$ 2,497,120	\$ 4,000	\$ 2,501,120	\$ 2,407,875	\$ -	\$ 2,407,875
Direct costs of donor benefit	(180,110)	-	(180,110)	(155,027)	-	(155,027)
Net Revenue from Fund-Raising Event	2,317,010	4,000	2,321,010	2,252,848	-	2,252,848
Contributions	919,535	7,648,139	8,567,674	545,353	3,088,639	3,633,992
Fee for service	36,500	-	36,500	1,387,618	-	1,387,618
Rent income	272,467	-	272,467	183,740	-	183,740
In-kind contributions	870,300	6,000	876,300	396,863	-	396,863
Investment income	462	-	462	5,679	-	5,679
Other income	3,946	-	3,946	-	-	-
Net assets released from restrictions (note 6)	4,928,818	(4,928,818)	-	3,658,441	(3,658,441)	-
Total Revenue, Gains and Other Support	<u>9,349,038</u>	<u>2,729,321</u>	<u>12,078,359</u>	<u>8,430,542</u>	<u>(569,802)</u>	<u>7,860,740</u>
EXPENSES						
Program Services						
School transformation	533,347	-	533,347	436,547	-	436,547
Parent empowerment	5,657,749	-	5,657,749	5,328,391	-	5,328,391
Public policy	720,792	-	720,792	963,102	-	963,102
Young adult	303,360	-	303,360	564,361	-	564,361
Total Program Services	<u>7,215,248</u>	<u>-</u>	<u>7,215,248</u>	<u>7,292,401</u>	<u>-</u>	<u>7,292,401</u>
Support Services						
Management and general	1,066,603	-	1,066,603	667,993	-	667,993
Fund-raising and development	856,639	-	856,639	867,344	-	867,344
Total Support Services	<u>1,923,242</u>	<u>-</u>	<u>1,923,242</u>	<u>1,535,337</u>	<u>-</u>	<u>1,535,337</u>
Total Expenses	<u>9,138,490</u>	<u>-</u>	<u>9,138,490</u>	<u>8,827,738</u>	<u>-</u>	<u>8,827,738</u>
Change in Net Assets	210,548	2,729,321	2,939,869	(397,196)	(569,802)	(966,998)
Net Assets						
Beginning of year	<u>493,592</u>	<u>775,372</u>	<u>1,268,964</u>	<u>890,788</u>	<u>1,345,174</u>	<u>2,235,962</u>
End of year	<u>\$ 704,140</u>	<u>\$ 3,504,693</u>	<u>\$ 4,208,833</u>	<u>\$ 493,592</u>	<u>\$ 775,372</u>	<u>\$ 1,268,964</u>

See notes to financial statements

National Center for Learning Disabilities, Inc.

Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services				Support Services		Total
	School Transformation	Parent Empowerment	Public Policy	Young Adult	Management and General	Fund-Raising and Development	
Payroll	\$ 41,827	\$ 3,046,987	\$ 281,758	\$ 151,681	\$ 118,587	\$ 288,193	\$ 3,929,033
Employee benefits	7,756	559,775	52,298	28,128	29,338	54,078	731,373
Payroll taxes	2,761	213,398	18,600	10,013	7,830	19,025	271,627
Program and evaluation	420,816	503,177	84,245	58,336	-	734	1,067,308
Rent (note 8)	7,494	440,902	102,479	27,174	21,245	51,631	650,925
Website costs, equipment rental and repairs	1,690	172,060	7,751	4,173	3,262	7,929	196,865
Depreciation and amortization	930	246,608	6,263	3,372	2,636	6,406	266,215
Travel	17,170	127,248	32,427	8,312	22,033	12,293	219,483
Professional fees	562	19,024	12,229	2,038	756,068	286,589	1,076,510
Video	-	-	-	1,000	-	1,200	2,200
Recruitment fees	-	107,921	679	50	88,191	-	196,841
Telephone and internet	568	36,101	14,373	1,001	1,203	3,029	56,275
Dues and subscriptions	8,850	42,848	25,393	2,059	3,671	7,561	90,382
Meetings and conferences	13,236	16,606	51,474	50	7,597	59,240	148,203
Direct mail	34	3,128	229	388	1,005	4,957	9,741
Printing and publication	5,631	11,348	9,878	-	-	40,626	67,483
Insurance	670	25,663	4,516	2,431	1,901	4,619	39,800
Office supplies and expenses	2,943	71,114	13,446	1,671	877	5,712	95,763
Bank and payroll fees	409	13,841	2,754	1,483	1,159	2,817	22,463
	<u>\$ 533,347</u>	<u>\$ 5,657,749</u>	<u>\$ 720,792</u>	<u>\$ 303,360</u>	<u>\$ 1,066,603</u>	<u>\$ 856,639</u>	<u>\$ 9,138,490</u>

See notes to financial statements

National Center for Learning Disabilities, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services				Support Services		Total
	School Transformation	Parent Empowerment	Public Policy	Young Adult	Management and General	Fund-Raising and Development	
Payroll	\$ 86,633	\$ 1,979,872	\$ 497,610	\$ 238,553	\$ 120,583	\$ 346,439	\$ 3,269,690
Employee benefits	12,570	285,220	70,667	33,878	36,429	49,199	487,963
Payroll taxes	6,790	151,702	38,171	18,299	9,218	26,575	250,755
Program and evaluation	207,579	506,178	106,374	215,264	-	205	1,035,600
Rent (note 8)	7,546	409,746	111,368	30,289	14,974	44,557	618,480
Website costs, equipment rental and repairs	5,911	1,491,260	9,754	4,676	2,364	6,791	1,520,756
Depreciation and amortization	1,559	218,305	8,786	4,208	2,127	6,112	241,097
Travel	35,642	56,922	46,710	1,480	24,395	8,436	173,585
Professional fees	-	-	60	220	279,762	284,348	564,390
Video	2,300	-	-	5,840	3,200	-	11,340
Recruitment fees	-	808	-	-	126,560	-	127,368
Telephone and internet	3,084	35,794	15,193	1,911	1,760	3,261	61,003
Dues and subscriptions	15,767	46,284	28,715	2,536	8,619	29,347	131,268
Meetings and conferences	44,482	21,978	5,792	827	4,875	329	78,283
Direct mail	247	1,185	536	629	1,755	21,991	26,343
Printing and publication	99	39,906	4,017	18	1,004	30,764	75,808
Insurance	862	19,250	4,844	2,322	1,174	3,372	31,824
Office supplies and expenses	4,590	51,512	11,444	2,082	3,677	3,687	76,992
Bank and payroll fees	464	10,356	2,606	1,249	831	1,814	17,320
Bad debt expense	-	-	-	-	14,492	-	14,492
Miscellaneous	422	2,113	455	80	10,194	117	13,381
	<u>\$ 436,547</u>	<u>\$ 5,328,391</u>	<u>\$ 963,102</u>	<u>\$ 564,361</u>	<u>\$ 667,993</u>	<u>\$ 867,344</u>	<u>\$ 8,827,738</u>

See notes to financial statements

National Center for Learning Disabilities, Inc.

Statements of Cash Flows

	Year Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,939,869	\$ (966,998)
Adjustments to reconcile change in net assets to net cash from operating activities		
Donated property	-	(183,321)
Depreciation and amortization	266,215	241,097
Bad debt expense	-	14,492
Net appreciation of investments	-	(5,145)
Deferred rent	(31,330)	(24,397)
Changes in assets and liabilities		
Contributions receivable	(2,255,539)	824,493
Prepaid expenses and other assets	98,764	(20,557)
Security deposits	-	(62,334)
Accounts payable and accrued expenses	43,375	(403,308)
Accrued vacation	47,271	80,841
Deferred revenue	(946)	(281,020)
Net Cash from Operating Activities	1,107,679	(786,157)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(87,149)	(459,454)
Proceeds from sale of investments	-	76,065
Net Cash from Investing Activities	(87,149)	(383,389)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing from line of credit	600,000	-
Repayment of line of credit	(600,000)	-
Net Cash from Financing Activities	-	-
Net Increase (Decrease) in Cash	1,020,530	(1,169,546)
CASH		
Cash at beginning of year	471,288	1,640,834
Cash at end of year	\$ 1,491,818	\$ 471,288

See notes to financial statements

National Center for Learning Disabilities, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

1. Organization and Tax Status

National Center for Learning Disabilities, Inc. (“NCLD”) is a publicly supported not-for-profit organization headquartered in New York City. Founded in 1977, the mission of NCLD is to improve the lives of the one in five children and adults nationwide with learning and attention issues – by empowering parents, transforming schools and advocating for equal rights and opportunities.

Parent Empowerment

In partnership with fifteen non-profit partners, NCLD operates and manages Understood.org – a comprehensive online resource that empowers parents of children with learning and attention issues through personalized support, daily access to experts and specially designed tools.

School Transformation

NCLD’s school transformation initiative focuses on improving outcomes for all students, including students with learning and attention issues, to help them become college and career ready. Through strategic consulting services, leaders at the state, district and school level receive advice and professional development on systems changes, implementing evidence-based teaching tools, Common Core, learning disabilities identification, and other issues critical to transforming students in schools utilizing supportive learning environments. NCLD also provides professional development to educators through online training modules and mentoring via the RTINetwork.org, GetReadytoRead.org and LDNavigator.org websites.

Policy and Advocacy

NCLD advocates for equal rights and opportunities by educating policymakers, agencies, members of Congress, and others to ensure that the voices of individuals with learning and attention issues are heard by those at all levels of government, and that the civil rights of students and adults are protected.

Young Adults

NCLD enables young adults to become strong and confident self-advocates. Through Friends of Quinn, an online community, NCLD offers resources and support for young adults with learning differences.

In addition to these programs, NCLD produces reports and studies which provide essential information and resources to the learning disabled community, such as *Personalized Learning: Meeting the Needs of Students with Disabilities*; *Student Voices: A Study of Young Adults with Learning and Attention Issues*; and *The State of Learning Disabilities - 3rd Edition*.

National Center for Learning Disabilities, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

1. Organization and Tax Status *(continued)*

NCLD is a nonprofit publicly supported organization as defined under Section 509(a)(1) of the Internal Revenue Code (the "Code") and, as such, is exempt from federal income taxes under Section 501(c)(3) of the Code. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements. NCLD is subject to taxes on unrelated business income, if any.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions.

Temporarily restricted net assets represent net assets subject to donor-imposed restrictions that expire by the passage of time or by actions of NCLD.

Permanently restricted net assets represent net assets restricted by donors to be maintained by NCLD in perpetuity. There were no permanently restricted net assets as of June 30, 2016 and 2015.

Concentration of Credit Risk

NCLD's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of contributions receivable, which are expected to be collected in the normal course of business, and cash. NCLD maintains cash balances in certain financial institutions which, at times, may exceed the Federal Deposit Insurance Corporation coverage and subjects NCLD to a concentration risk. NCLD manages this risk by placing its cash in high-quality financial institutions.

National Center for Learning Disabilities, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (*continued*)

Concentration of Credit Risk (continued)

NCLD monitors this risk on a regular basis and has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk associated with such accounts.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their present value using a risk adjusted rate. Conditional promises to give are not included as support until conditions are substantially met. The allowance for doubtful accounts is based upon management's assessment of historical and expected net collections and over business and economic conditions. There was no allowance for doubtful accounts as of June 30, 2016 and 2015.

Property and Equipment

Property and equipment is carried at cost and is depreciated using the straight-line method over the following estimated useful lives of the assets:

	<u>Years</u>
Furniture and fixtures	3 to 5
Computer equipment	3 to 5
Telephone equipment	5
Website development costs	12
Leasehold improvements	*

* Lesser of the useful life or term of the lease

Gifts of long-lived assets received without stipulations as to how long the donated asset must be used are reported as support with an implied restriction that expires over the useful life of the donated asset.

Revenue Recognition

Revenue from contributions and NCLD's fund-raising events are recorded upon receipt of cash or unconditional pledges, and are considered to be available for unrestricted use unless specifically restricted by donors.

National Center for Learning Disabilities, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Amounts received that are designated for future periods or restricted by donors for specific purposes are reported as temporarily restricted support that increases this net asset class. When a 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 statements of activities as net assets released from restrictions.

Fee for service revenue is recognized as revenue as services are provided. Amounts billed and collected before such services are provided are reflected in the statements of financial position as deferred revenue.

NCLD recognizes contributions of services if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. There was approximately \$876,000 and \$397,000 of contributed goods and services (inclusive of approximately \$183,000 of leasehold improvements in 2015) paid by the Foundation on behalf of NCLD for the years ended June 30, 2016 and 2015, respectively.

Promotion Costs

NCLD incurs promotional costs to understand NCLD's target audiences and to reach and serve them effectively. Promotion costs are expensed as incurred and are included in program and evaluation in the statements of functional expenses and amounted to approximately \$2,000 and \$123,000 for the years ended June 30, 2016 and 2015, respectively.

Functional Expenses

NCLD allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated to each based on the estimated time spent on each function.

Accounting for Uncertainty in Income Taxes

NCLD recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that NCLD had no uncertain tax positions that would require financial statement recognition or disclosure. NCLD is no longer subject to examination by the applicable taxing jurisdictions for periods prior to 2013.

National Center for Learning Disabilities, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (*continued*)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is May 8, 2017.

3. Contributions Receivable

NCLD received multi-year pledges from two donors to support its fiscal operations and related programs. These pledges obligate the donors to make annual payments against these pledges in installments which are due as follows at June 30:

	<u>2016</u>	<u>2015</u>
Within one year	\$ 2,478,323	\$ 526,629
Within two to four years	<u>303,845</u>	<u>-</u>
	<u>\$ 2,782,168</u>	<u>\$ 526,629</u>

Approximately 55% and 53% of revenue, gains and other support was received from one contributor. The amount due from this contributor was approximately \$1,683,000 and \$0 as of June 30, 2016 and 2015, respectively.

4. Property and Equipment

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

	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 178,399	\$ 156,948
Computer equipment	300,642	286,148
Leasehold improvements (381 Park Avenue South)	235,359	235,359
Leasehold improvements (32 Laight Street)	649,198	597,994
Telephone equipment	302,991	302,991
Website development costs	<u>116,431</u>	<u>116,431</u>
	1,783,020	1,695,871
Less accumulated depreciation and amortization	<u>1,276,212</u>	<u>1,009,997</u>
	<u>\$ 506,808</u>	<u>\$ 685,874</u>

National Center for Learning Disabilities, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

5. Line of Credit

In October 2015, NCLD entered into a line of credit agreement (the "Agreement") with the Foundation. The Agreement allows NCLD to draw up to \$750,000 with a 0% interest rate accruing on any outstanding unpaid balance for the first 24 months after funds are disbursed and 2% thereafter, with interest compounded monthly on the last day of each month. All outstanding amounts are payable in full no later than October 31, 2020. During 2016, total withdrawals against the Agreement were \$600,000, and aggregate repayments were \$600,000. As of June 30, 2016, the outstanding balance on the line of credit was \$0.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for or relate to the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Understood.org	\$ 2,048,720	\$ 324,114
Personalized Learning	599,000	67,195
School Transformation	379,924	272,762
Mobilization	252,880	-
Young Adult Initiative	87,317	14,609
Parent Empowerment	55,239	55,239
K-12 education	40,160	-
Scholarships	30,000	30,000
LD.org	6,453	6,453
Step Forward	5,000	5,000
	<u>\$ 3,504,693</u>	<u>\$ 775,372</u>

National Center for Learning Disabilities, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

6. Temporarily Restricted Net Assets *(continued)*

Net assets were released from donor restrictions during the years ended June 30, 2016 and 2015, by incurring expenses satisfying the related purposes or by the occurrence of other events or expiration of time restrictions as follows:

	<u>2016</u>	<u>2015</u>
Understood.org	\$ 3,956,766	\$ 2,907,641
School Transformation	384,390	238,121
Mobilization	265,620	-
Personalized Learning	219,749	57,120
K-12 education	60,000	-
Young Adult Initiative	27,293	229,465
Scholarships	15,000	-
Parent Empowerment	-	159,094
Understood Public Policy	-	67,000
	<u>\$ 4,928,818</u>	<u>\$ 3,658,441</u>

7. Benefit Plans

NCLD maintains a noncontributory defined contribution retirement plan (the "Plan"), which covers substantially all employees who satisfy age and service requirements of the Plan. In accordance with the provisions of the Plan, employer contributions to the Plan are made on a discretionary basis. Total Plan contributions recognized as expense for the years ended June 30, 2016 and 2015 were \$150,090 and \$114,220, respectively.

In addition, NCLD also provides a tax-deferred 403(b) plan funded solely by payroll deductions from eligible employees. NCLD does not contribute to this plan.

8. Commitments

In September 2014, NCLD entered into a lease agreement with an unrelated third party to rent office space in downtown Manhattan, New York. The term of the lease was 18 months, beginning September 1, 2014 through February 28, 2016. The monthly lease amount was \$12,000. Upon expiration of the lease, NCLD entered into a lease renewal agreement for the period from March 1, 2016 through May 31, 2017, at monthly lease payments of \$13,044.

NCLD also conducts operations and program activities in Washington, D.C. under an operating lease agreement which began on March 1, 2014 and expires on November 30, 2018. Under this lease arrangement, NCLD makes monthly lease payments of \$4,000.

National Center for Learning Disabilities, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

8. Commitments (*continued*)

Prior to September 2014, NCLD conducted its operations from offices located in midtown Manhattan, New York under an operating lease agreement which is scheduled to end on April 30, 2017. Under this leasing arrangement, NCLD pays base monthly rent of \$20,613. This lease is subject to customary escalation clauses for real estate taxes, electricity usage and building operating expenses.

Approximate future annual minimum lease commitments under the afore-mentioned leases are as follows for years ending June 30:

2017	\$ 399,000
2018	54,000
2019	<u>23,000</u>
	<u>\$ 476,000</u>

In September 2014, NCLD entered into a sub-lease agreement with an unrelated third party to rent the midtown Manhattan, New York location for a term beginning September 1, 2014 and ending April 29, 2017. Future annual minimum rental income to be received under this sub-lease is approximately \$206,000 for the year ending June 30, 2017.

As part of the arrangement between NCLD and the Foundation for the management and operation of Understood.org, the Foundation makes available to NCLD office space which is adjacent to its premises in downtown Manhattan, New York and houses the Understood.org program staff. Under this arrangement, NCLD makes monthly rent payments to an unrelated third party in the amount of \$13,542.

Deferred rent payable of \$31,045 and \$62,375 at June 30, 2016 and 2015, respectively, is the difference between the cumulative amounts recorded for rent expense on a straight-line basis over the term of the leases, as compared to the cumulative required amounts under the leases as of June 30, 2016 and 2015. Rent expense for the years ended June 30, 2016 and 2015 was approximately \$651,000 and \$618,000, respectively.

9. Related Party Transactions

The Foundation is a related party of NCLD because the Foundation's chairman is also the board chairman of NCLD.

Essential to NCLD's mission to empower parents of children with learning and attention issues is the comprehensive online resource Understood.org. On December 1, 2012, NCLD and the Foundation entered into a master service agreement under which NCLD provided services necessary to foster the creation, development and management of Understood.org, on a fee for service basis, to the Foundation. The ownership rights of Understood.org are retained by the Foundation.

National Center for Learning Disabilities, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

9. Related Party Transactions (continued)

After the launch of Understood.org in August 2014, NCLD and the Foundation entered into a commitment for NCLD to operate and manage Understood.org for the period August 1, 2014 through June 30, 2017. Under this commitment, the Foundation provided funding of \$2,665,521 through June 30, 2015. During the year ended June 30, 2016, the Foundation further committed \$1,763,530 for the period July 1, 2015 through December 31, 2015 and \$3,366,558 for the period January 1, 2016 through December 31, 2016. This commitment is payable in equal monthly installments of \$280,546. As of June 30, 2016, \$3,446,806 has been paid, with the remaining amount due of approximately \$1,683,000 included in contributions receivable.

The Foundation contributed the following approximate revenue and support during the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions	\$ 5,130,000	\$ 2,957,000
In-kind contributions	870,000	397,000
Fee for service	<u>-</u>	<u>1,321,000</u>
	<u>\$ 6,000,000</u>	<u>\$ 4,675,000</u>

NCLD received revenue and other support of approximately \$1,686,000 and \$1,556,000 from its board members during the years ended June 30, 2016 and 2015, respectively. A reduction in such contributions may have a significant negative effect on NCLD's overall operations. Contributions receivable for these board members was approximately \$105,000 and \$88,000 as of June 30, 2016 and 2015, respectively.

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