LEARNING ALLY, INC.

(A Not-For-Profit Organization)

FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016
(with supplementary information)

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Learning Ally, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Learning Ally, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for each of 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Learning Ally, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for each of 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 financial statements as a whole. The Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Rules of the State of Florida Auditor General and State of New Jersey OMB Circular Letter 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and the schedule of functional expenses are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards, and schedule of functional expenses are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

EisnerAmper LLP

Iselin, New Jersey
October 27, 2017

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statements of Financial Position

	June 30, 2017	June 30, 2016
ASSETS		
Cash and cash equivalents	**$ 802,357**	$ 1,641,073
Grants and other receivables, net	**1,129,571**	329,583
Contributions receivable, net	**3,212,805**	5,103,681
Investments	**17,663,930**	15,948,472
Prepaid expenses and other assets	**620,868**	451,152
Split-interest agreements and other arrangements	**1,050,295**	1,090,163
Beneficial interest in perpetual trusts	**2,931,322**	2,730,765
Property and equipment, net	**3,949,091**	4,258,934
Total assets	**$ 31,360,239**	$ 31,553,823
LIABILITIES		
Accounts payable and accrued expenses	**$ 928,750**	$ 1,321,874
Deferred revenue	**2,518,217**	1,979,590
Obligations under capital lease	**196,936**	248,646
Total liabilities	**3,643,903**	3,550,110
Commitments		
NET ASSETS		
Unrestricted	**6,509,276**	4,154,103
Temporarily restricted	**8,789,964**	11,633,071
Permanently restricted	**12,417,096**	12,216,539
Total net assets	**27,716,336**	28,003,713
Total liabilities and net assets	**$ 31,360,239**	$ 31,553,823

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and other support:				
Contributions, private grants and legacies	$ 2,814,821	$ 1,705,186	$ -	$ 4,520,007
Government grants and contracts	3,795,812	-	-	3,795,812
Donated services, goods and rent	5,945,419	-	-	5,945,419
Membership fees and services, net	5,400,458	-	-	5,400,458
Interest and dividends, net	199,213	249,278	-	448,491
Other revenue	31,537	-	-	31,537
	18,187,260	1,954,464	-	20,141,724
Net assets released from restrictions	6,136,698	(6,136,698)	-	-
Total operating revenue and other support	24,323,958	(4,182,234)	-	20,141,724
Operating expenses:				
Program services:				
Production	11,881,905	-	-	11,881,905
Services coordination	5,566,830	-	-	5,566,830
Total program services	17,448,735	-	-	17,448,735
Supporting services:				
Administration	2,810,736	-	-	2,810,736
Fundraising	2,005,533	-	-	2,005,533
Total supporting services	4,816,269	-	-	4,816,269
Total operating expenses	22,265,004	-	-	22,265,004
Excess (deficiency) of operating revenue and other support over operating expenses before nonoperating activities	2,058,954	(4,182,234)	-	(2,123,280)
Non-operating activities:				
Net unrealized and realized gains on investments and perpetual trusts	296,219	1,246,306	200,557	1,743,082
Change in value of split- interest agreements	-	92,821	-	92,821
Change in net assets	2,355,173	(2,843,107)	200,557	(287,377)
Net assets, beginning of the year	4,154,103	11,633,071	12,216,539	28,003,713
Net assets, end of year	$ 6,509,276	$ 8,789,964	$ 12,417,096	$ 27,716,336

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and other support:				
Contributions, private grants and legacies	$ 2,526,671	$ 6,067,254	$ -	$ 8,593,925
Government grants and contracts	4,012,047	-	-	4,012,047
Donated services, goods and rent	7,027,843	-	-	7,027,843
Membership fees and services, net	4,743,886	-	-	4,743,886
Interest and dividends, net	202,309	606,960	-	809,269
Other revenue	18,934	-	-	18,934
	18,531,690	6,674,214	-	25,205,904
Net assets released from restrictions	3,879,557	(3,879,557)	-	-
Total operating revenue and other support	22,411,247	2,794,657	-	25,205,904
Operating expenses:				
Program services:				
Production	13,171,483	-	-	13,171,483
Services coordination	5,959,346	-	-	5,959,346
Total program services	19,130,829	-	-	19,130,829
Supporting services:				
Administration	2,969,044	-	-	2,969,044
Fundraising	2,082,528	-	-	2,082,528
Total supporting services	5,051,572	-	-	5,051,572
Total operating expenses	24,182,401	-	-	24,182,401
(Deficiency) excess of operating revenue and other support over operating expenses before nonoperating activities	(1,771,154)	2,794,657	-	1,023,503
Non-operating activities:				
Gain on sale of property and equipment	35,048	-	-	35,048
Net unrealized and realized (losses) on investments and perpetual trusts	(268,512)	(974,109)	(149,706)	(1,392,327)
Change in value of split-interest agreements	-	37	-	37
Change in net assets	(2,004,618)	1,820,585	(149,706)	(333,739)
Net assets, beginning of the year	6,158,721	9,812,486	12,366,245	28,337,452
Net assets, end of year	$ 4,154,103	$ 11,633,071	$ 12,216,539	$ 28,003,713

LEARNING ALLY, INC.
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Statements of Cash Flows

	Year Ended June 30, 2017	Year Ended June 30, 2016
Cash flows from operating activities		
Change in net assets	**$ (287,377)**	$ (333,739)
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation	**537,253**	568,618
Change in discount and allowance related to contributions receivable	**(136,387)**	3,173
Net gain on sale of property and equipment	**-**	(35,048)
Net unrealized and realized (gains) losses on investments and perpetual trusts	**(1,743,082)**	1,392,327
Donated securities	**(424,565)**	(9,853)
Proceeds from sale of donated securities	**425,603**	10,128
Change in assets and liabilities:		
Grants and other receivables	**(799,988)**	(37,812)
Contributions receivable	**2,027,263**	(2,707,148)
Prepaid expenses and other assets	**(169,716)**	32,585
Split-interest agreements and other arrangements	**39,868**	104,624
Accounts payable and accrued expenses	**(393,124)**	90,486
Deferred revenue	**538,627**	71,892
Net cash used in operating activities	**(385,625)**	(849,767)
Cash flows from investing activities:		
Purchases of investments	**(773,133)**	(707,449)
Proceeds from sales of investments	**599,162**	2,549,730
Purchase of property and equipment	**(227,410)**	(295,094)
Proceeds from sale of property and equipment	**-**	213,799
Net cash (used in) provided by investing activities	**(401,381)**	1,760,986
Cash flows from financing activities:		
Principal payments on capital lease	**(51,710)**	(49,514)
Net cash used in financing activities	**(51,710)**	(49,514)
Net (decrease) increase in cash and cash equivalents	**(838,716)**	861,705
Cash and cash equivalents, beginning of year	**1,641,073**	779,368
Cash and cash equivalents, end of year	**$ 802,357**	$ 1,641,073
Supplemental disclosure of cash flow information:		
Interest paid	**$ 9,801**	$ 11,998
Non-Cash activities:		
Donated services, goods and rent	**$ 5,945,419**	$ 7,027,843
Property and equipment purchased under a capital lease	**$ -**	$ 298,160

See notes to financial statements

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Notes to Financial Statements
June 30, 2017 and 2016

NOTE A - ORGANIZATION

Learning Ally (the "Organization") is a leading national nonprofit ed-tech organization focused on improving educational outcomes and fostering life readiness for students who learn differently - particularly those who have learning differences, like dyslexia and visual impairments. Our proven solution includes the most extensive library of human-read audio books that students want and need to read both at home and at school, along with a suite of teacher-focused resources that ensure student success. This reading experience helps accelerate learning, enables a new level of access to knowledge and powerfully increases confidence and self-belief.

Today, Learning Ally is successfully partnering with more than 10,000 schools, districts and leading state education systems across the country to empower nearly 300,000 students with improved comprehension, vocabulary, fluency and critical thinking skills. For over 70 years, we have helped transform the lives of struggling readers by bridging the gap between their reading capability and their academic potential as they confidently become life-long learners who thrive in school and beyond. Learning Ally is partially funded by grants from federal, state and local education programs, and the generous contributions of individuals, foundations and corporations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The accompanying financial statements, which are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

<u>Permanently restricted net assets</u> - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for unrestricted or specific purposes.

<u>Temporarily restricted net assets</u> - net assets subject to donor-imposed stipulations that will be met either by actions of the Organization, the passage of time, or earnings derived from donor-restricted endowments not yet appropriated for expenditure by the Board of Directors.

<u>Unrestricted net assets</u> - net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is temporarily restricted or permanently restricted by explicit donor stipulations or by law. Expiration of temporary restrictions on net assets are reported as net assets released from restrictions on the statements of activities.

[2] Government grants and contracts:

Revenue from federal and state grants is recognized to the extent that qualifying reimbursable expenses have been incurred under the terms of the respective agreements or performance measures as stipulated in the grants have been met. Amounts received in advance are deferred until such time that the underlying obligation is satisfied by Learning Ally.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Membership fees and services:

Service revenue is recorded when the service is provided to the customer. Membership fees are recognized ratably over the contract period. Membership fees and services are recorded net of promotional discounts and hardship waivers totaling $390,881 and $237,287 for the years ended June 30, 2017 and 2016, respectively. Membership fees collected which relate to the following fiscal year are deferred until earned and are recorded as deferred revenue on the statements of financial position.

[4] Contributions, private grants, and legacies:

Contributions, including unconditional promises to give, private grants, and legacies are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Unconditional promises to give (pledges) that are expected to be collected in excess of one year are recorded net of an appropriate discount (using a credit-adjusted rate) to reflect the present value of expected future cash flows. Allowances are recorded for estimated uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Contributions receivable are written-off in the period in which they are deemed uncollectible and expensed in the net asset category where the related receivable resides.

[5] Split-interest agreements and other arrangements:

The Organization recognizes contribution revenue and related asset when an irrevocable split-interest agreement naming it as trustee and beneficiary is executed. When an unrelated third party acts as trustee or fiscal agent for the split-interest agreement, the Organization recognizes contribution income when it is notified of the agreement's existence, the Organization being a beneficiary and all relevant information is made known to it. The Organization's split-interest agreements are managed by third-party trustees, in accordance with stipulations of the donors who established them.

a) Beneficial interest in perpetual trusts held by others:

A perpetual trust held by a third party is an arrangement in which the donor establishes and funds a trust that is administered by an outside third party. Under the terms of the trust, the Organization has the right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in the trust. The Organization recognizes its beneficial interest in perpetual trusts at the fair value of its interest of the underlying assets. The trusts are recorded as permanently restricted net assets and the changes in value of the trusts have been reported in the statements of activities.

b) Beneficial interest in other charitable trusts:

Beneficial interests in other charitable trusts are arrangements in which the donor establishes and funds a trust that is administered by an outside third party. Under the terms of the trust, the Organization has the right to receive the income earned on its interest in the trust assets for a finite period of time and, in certain instances, the Organization is entitled to receive its interest in the trust assets upon the termination of the trust. The fair value of its interest of the trusts is computed at the present value (discount rates range from 3.12% to 5.77% at June 30, 2017 and 2016, respectively) of the estimated future cash flows to be received from the trusts. The trusts are recorded as temporarily restricted net assets, and the changes in the value of the trusts have been reported in the statements of activities.

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Notes to Financial Statements
June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Release of restrictions on net assets held for acquisition of property and equipment:

Contributions of property and equipment without donor-imposed stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment, pursuant to donor-imposed restrictions, are reported as revenues of the temporarily restricted net asset class; the restrictions are considered satisfied at the time such acquired long-lived assets are placed in service.

[7] Functional allocation of expenses:

The costs of providing the program and supporting services of the Organization have been summarized on a functional basis on the accompanying statements of activities. Accordingly, certain expenses have been allocated among the program and supporting services in reasonable ratios determined by management.

[8] Cash equivalents:

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less, and are reported as part of cash and cash equivalents, except those amounts that are held for long-term investment.

[9] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

[10] Measure of operations:

Unrestricted operating net assets include resources used for the general support of the Organization's operations and program activities.

Nonoperating activities include: (1) gain on sale of property and equipment, (2) net unrealized and realized gains and (losses) on investments and perpetual trusts and (3) changes in value of split-interest agreements.

[11] Income taxes:

The Internal Revenue Service (the "IRS") has recognized Learning Ally as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2017 and 2016, there are no uncertain tax positions taken or expected to be taken that would require the recognition of a liability or disclosure in the financial statements. The Organization recognizes accrued interest and penalties associated with uncertain tax provisions, if any. There were no income tax-related interest and penalties recorded for the years ended June 30, 2017 and 2016.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Concentrations of risk:

The Organization maintains a significant investment portfolio, which includes money market funds, mutual funds, U.S. Government securities, corporate stocks and fund of funds. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence on key individuals and nondisclosure of portfolio composition. The Organization regularly reviews the performance and risks associated with these investments. In addition, the Organization utilizes the services of an external investment consultant who continually monitors the individual investment fund performance, any changes in management at the investment fund or any other significant matters affecting the fund and advises the Organization of any such changes.

The Organization maintains its cash and cash equivalents in various bank deposit accounts that may exceed federally insured limits at times. To minimize risk, the Organization places its cash accounts with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate nonperformance by these financial institutions.

[13] New accounting pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)". ASU 2016-02 requires lessees to recognize all leases (with terms more than 12 months) at the commencement date the following, i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified lease term. The new lease guidance also simplifies the accounting for sale and leaseback transactions. Lessees will no longer be provided with a source of off-balance sheet financing. For nonpublic business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effect that the new standard will have on the financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, "Not-for-Profit Entities" (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources and e) presentation of operating cash flows. The new standard will be effective for annual reporting periods issued for fiscal years beginning after December 15, 2017, (which will be the year beginning July 1, 2018 for the Organization) with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2016-14 on its financial statements and related disclosures.

[14] Subsequent events:

The Organization evaluated subsequent events through October 27, 2017 the date these financial statements were available to be issued.

NOTE C - INVESTMENTS

Investments are stated at fair value. The fair value of all money market funds, mutual funds, and U.S. corporate stocks are based on quotations obtained from national securities exchanges as of the respective measurement date. The estimated fair value of the fund of funds is reported at the net asset value as reported by the Fund manager, which is reviewed by management for reasonableness. NAV is used as a practical expedient to estimate and report the fair value of the Organization's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount which differs from NAV. Interest and dividends and unrealized and realized gains and losses are reported in the statements of activities. As of June 30, 2017 and 2016, the Organization had no specific plans or intentions to sell investments at amounts different than NAV. Because the fund of funds is not readily marketable, its estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed and the difference could be material.

Investments as of June 30, 2017 and 2016 consist of the following:

	2017	2016
Money market funds	**$ 69,192**	$ 120,129
Mutual funds	**277,187**	407,256
U.S. corporate stocks	**272,299**	206,100
Fund of funds	**17,045,252**	15,214,987
	$ 17,663,930	$ 15,948,472

For the years ended June 30, 2017 and 2016, $4,835 and $17,319, respectively, of investment fees were netted against interest and dividends on the accompanying statements of activities.

NOTE D - FAIR VALUE HIERARCHY

Fair Value Measurements and Disclosure establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. *Fair Value Measurements and Disclosure* defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants.

In determining fair value, the Organization uses various approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Fair Value Measurements and Disclosure and the Organization's related types are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level I prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTE D - FAIR VALUE HIERARCHY (CONTINUED)

	2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	**$ 69,192**	**$ 69,192**	**$ -**	**$ -**
Mutual funds	**277,187**	**277,187**	**-**	**-**
U.S. corporate stocks	**272,299**	**272,299**	**-**	**-**
Fund of funds measured at NAV (A)	**17,045,252**	**-**	**-**	**-**
	17,663,930	**618,678**	**-**	**-**
Split interest agreements and other arrangements	**1,050,295**	**-**	**-**	**1,050,295**
Beneficial interest in perpetual trusts	**2,931,322**	**-**	**-**	**2,931,322**
	$ 21,645,547	**$ 618,678**	**$ -**	**$ 3,981,617**

	2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 120,129	$ 120,129	$ -	$ -
Mutual funds	407,256	407,256	-	-
U.S. corporate stocks	206,100	206,100	-	-
Fund of funds measured at NAV (A)	15,214,987	-	-	-
	15,948,472	733,485	-	-
Split interest agreements and other arrangements	1,090,163	-	-	1,090,163
Beneficial interest in perpetual trusts	2,730,765	-	-	2,730,765
		-	-	
	$ 19,769,400	$ 733,485	$ -	$ 3,820,928

(A) Certain investments that are measured at fair value using net asset value NAV per share (or its equivalent) as the practical expedient have not been classified as Level 1, 2, or 3 in the fair value hierarchy. The fund of funds employs a globally diversified portfolio which seeks to achieve total return which exceeds inflation plus 5%. The fund has no unfunded commitments as of June 30, 2017 and 2016.

NOTE D - FAIR VALUE HIERARCHY (CONTINUED)

The following table presents the Organization's activity for all Level 3 assets measured at fair value on an annual basis for the years ended June 30, 2017 and 2016:

	2017		
	Total Level 3	Beneficial Interest in Perpetual Trusts	Split Interest Agreements and Other Arrangements
Balance June 30, 2016	**$ 3,820,928**	**$ 2,730,765**	**$ 1,090,163**
Additions	**-**	**-**	**-**
Distributions	**(251,886)**	**(119,197)**	**(132,689)**
Change in value of split interest agreements and other arrangements	**92,821**	**-**	**92,821**
Net realized and unrealized gain	**319,754**	**319,754**	**-**
Ending balance, June 30, 2017	**$ 3,981,617**	**$ 2,931,322**	**$ 1,050,295**

	2016		
	Total Level 3	Beneficial Interest in Perpetual Trusts	Split Interest Agreements and Other Arrangements
Balance June 30, 2015	$ 4,075,258	$ 2,880,471	$ 1,194,787
Additions	-	-	-
Distributions	(229,883)	(125,222)	(104,661)
Change in value of split interest agreements and other arrangements	37	-	37
Net realized and unrealized loss	(24,484)	(24,484)	-
Ending balance, June 30, 2016	$ 3,820,928	$ 2,730,765	$ 1,090,163

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended June 30, 2017 and 2016, there were no transfers into or out of levels 1, 2, or 3.

NOTE E - ENDOWMENT

The Organization's endowment consists of approximately 40 individual donor-restricted funds established for a variety of purposes.

[1] Interpretation of relevant law:

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. The Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment, and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and its donor-restriction endowment;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from endowment investments;
- Other resources of the Organization; and,
- The investment policy of the Organization.

The following represents the Organization's endowment funds, by net asset category, as of June 30, 2017 and 2016.

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	**$ (14,226)**	**$ 3,336,355**	**$ 9,485,774**	**$ 12,807,903**

	2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ (115,102)	$ 4,133,364	$ 9,485,774	$ 13,504,036

Permanently restricted net assets include $2,931,322 and $2,730,765, respectively at June 30, 2017 and 2016, of perpetual trusts which is not reflected above as a component of permanently restricted endowment funds.

NOTE E - ENDOWMENT (CONTINUED)

[1] Interpretation of relevant law: (continued)

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, at June 30, 2016	**$ (115,102)**	**$ 4,133,364**	**$ 9,485,774**	**$ 13,504,036**
Investment return:				
Investment income, net of fees	**62,963**	**181,149**	**-**	**244,112**
Net appreciation (realized and unrealized)	**37,913**	**1,197,974**	**-**	**1,235,887**
Total investment return	**100,876**	**1,379,123**	**-**	**1,479,999**
Contributions	**-**	**-**	**-**	**-**
Appropriation of endowment assets for expenditure	**-**	**(2,176,132)**	**-**	**(2,176,132)**
Endowment net assets, at June 30, 2017	**$ (14,226)**	**$ 3,336,355**	**$ 9,485,774**	**$ 12,807,903**

	2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, at June 30, 2015	$ (33,570)	$ 4,421,746	$ 9,485,774	$ 13,873,950
Investment return:				
Investment income, net of fees	131,474	465,025	-	596,499
Net depreciation (realized and unrealized)	(213,006)	(753,407)	-	(966,413)
Total investment return	(81,532)	(288,382)	-	(369,914)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, at June 30, 2016	$ (115,102)	$ 4,133,364	$ 9,485,774	$ 13,504,036

NOTE E - ENDOWMENT (CONTINUED)

[1] Interpretation of relevant law: (continued)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	**$ 9,485,774**	$ 9,485,774
Total endowment funds classified as permanently restricted net assets	**$ 9,485,774**	$ 9,485,774
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds which must be appropriated for expenditure before use:		
Without purpose restrictions	**$ 288,160**	$ 18,839
With purpose restrictions	**3,048,195**	4,114,525
	$ 3,336,355	$ 4,133,364

[2] Funds with deficiencies:

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled $14,226 and $115,102 as of June 30, 2017 and 2016, respectively. These deficiencies resulted primarily from unfavorable market fluctuations.

[3] Return objectives and risk parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

[4] Spending policy:

The Organization has a policy of appropriating for distribution each year 5% of the endowment's rolling three-year average fair value. In establishing this policy, the Organization considered the long-term expected return on its endowment, mentioned above. In fiscal 2017, the Board approved for expenditure a portion of the temporarily restricted net assets resulting from the appreciation on permanently endowed funds accumulated over several years.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. It is the Organization's policy to capitalize property and equipment over $1,000 and lesser amounts are expensed. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets and consists of the following as of June 30, 2017 and 2016:

	2017	2016	Depreciable Life
Land	**$ 856,510**	$ 856,510	
Buildings and improvements	**6,963,789**	6,949,244	10 - 40 years
Leasehold improvements	**372,812**	372,812	5 - 40 years
Recording and office equipment	**14,515,373**	14,170,539	3 - 10 years
Vehicles	**34,592**	34,592	3 years
Construction in progress	**-**	131,969	
	22,743,076	22,515,666	
Less: accumulated depreciation	**(18,793,985)**	(18,256,732)	
Property and equipment, net	**$ 3,949,091**	$ 4,258,934	

Depreciation expense was $537,253 and $568,618 for the years ended June 30, 2017 and 2016, respectively.

Property and equipment recorded under a capital lease (Note M) and related accumulated depreciation at June 30, 2017 was $298,160 and $104,356, respectively. Property and equipment recorded under capital lease and related accumulated depreciation at June 30, 2016 was $298,160 and $44,724, respectively. Depreciation expense for the years ended June 30, 2017 and 2016 was $59,632 and $44,724, respectively, for property and equipment recorded under capital lease.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2017 and 2016. In the opinion of management, there was no impairment during the year ended June 30, 2017. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

NOTE G - DONATED SERVICES, GOODS AND RENT

The Organization is dependent on volunteer time to record new audiobooks. To properly recognize the significant role of volunteers and contributions of services in furtherance of the Organization's mission, the Organization has adopted procedures to both accumulate and measure the fair value of certain donated services related to the recording of books provided by professionals. Donated services for the Organization consist primarily of recording studio time incurred/contributed by volunteers, which has been valued at $80 and $79 per hour for the years ended June 30, 2017 and 2016, respectively. The rate is based upon periodic surveys of rates charged by professional readers for comparable work. Donated services have been recognized as revenue and expense on the statements of activities and have been allocated to the functions benefited and included volunteer services of $5,826,522 and $6,942,985, and donated books and in-kind donations of $58,147 and $24,108, for the years ended June 30, 2017 and 2016, respectively.

NOTE G - DONATED SERVICES, GOODS AND RENT (CONTINUED)

The Organization also received the right to use office space in various locations, pursuant to executed lease agreements, at a cost that is below fair value for terms ranging from ten to twenty years. The Organization also received the right to use other donated office space on an annual renewable basis at amounts less than fair value during the years ended June 30, 2017 and 2016. The contributed rent recognized for all donated office space for each of the years ended June 30, 2017 and 2016 totaled $60,750 and was recognized as revenue and expense on the statements of activities.

NOTE H - RESTRICTIONS ON NET ASSET BALANCES

[1] Temporarily restricted net assets:

Temporarily restricted net assets consist of gifts and other unexpended revenues and gains available for the following purposes as of June 30, 2017 and 2016:

	2017	2016
Program activities	**$ 1,190,508**	$ 1,305,863
Temporarily restricted endowment income - not yet appropriated	**3,336,355**	4,133,364
	4,526,863	5,439,227
Donated space	**83,924**	106,047
Split-interest agreements	**1,050,295**	1,090,163
Time restricted contributions	**3,128,882**	4,997,634
	$ 8,789,964	$ 11,633,071

[2] Permanently restricted net assets:

Permanently restricted net assets consist of beneficial interests in perpetual trusts and endowment gifts from donors with donor specified restrictions that the principal be maintained in perpetuity and the income is used primarily for development, production and distribution of learning resources, National Achievement Awards or unrestricted purposes.

NOTE I - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises to give including donated rent, and are expected to be received as follows:

	2017	2016
Less than one year	**$ 1,628,794**	$ 1,750,126
One to five years	**375,062**	2,124,326
More than five years	**1,510,000**	1,666,667
	3,513,856	5,541,119
Less:		
Allowance for uncollectible promises	**(8,026)**	(31,716)
Present value discount (3.09% to 4.24% in 2017 and 3.09% to 3.68% in 2016)	**(293,025)**	(405,722)
Contributions receivable, net	**$ 3,212,805**	$ 5,103,681

During fiscal 2017 and 2016, the Organization was notified of certain intentions to give. Consistent with U.S. GAAP, such amounts have not been reflected on the accompanying financial statements due to their conditional nature.

NOTE J - RETIREMENT PLANS

The Organization implemented the Learning Ally 401(k) Plan (the "LA Plan") effective January 1, 2014. Substantially all employees, who meet the eligibility requirements, can make contributions to the LA Plan upon hire and such contributions vest immediately. Employees are automatically enrolled in the LA Plan at a 3% deferral rate once eligibility requirements are satisfied. The Organization may make matching contributions, at its discretion, on a uniform basis for all participants. Discretionary contributions made on behalf of employees vest over time.

In June 2016, the Organization determined a discretionary contribution of $224,004 (retirement plan expense for the year ended June 30, 2016) be made. No such determination was made for the year ended June 30, 2017.

NOTE K - FUNCTIONALIZED EXPENSE CLASSIFICATIONS

During each fiscal year, the Organization's expenses, as reported on a functional basis, were as follows:

	2017	2016
Program	**$ 17,448,735**	$ 19,130,829
General and administrative (includes investment management fees of $4,835 and $17,319)	**2,815,571**	2,986,363
Fundraising	**2,005,533**	2,082,528
Total functionalized expenses	**$ 22,269,839**	$ 24,199,720

NOTE L - COMMITMENTS AND CONTINGENCIES

[1] Commitments:

The Organization is obligated under several service contracts and operating leases for rentals of office space and equipment that expire at various dates through 2024. The approximate future minimum annual payments due under noncancelable service contracts and operating leases are as follows:

Year Ending June 30,	Amount
2018	$ 876,000
2019	586,000
2020	249,000
2021	56,000
2022	56,000
Thereafter	68,000
Total	$ 1,891,000

The estimated sum of rental payments to be made over the life of all operating office leases is being allocated on a straight-line basis over the entire lease period and is recognized as periodic rent expense. Total rent expense for all operating office leases, inclusive of amounts for donated space, approximated $542,000 and $554,000 for the years ended June 30, 2017 and 2016, respectively.

[2] Litigation:

The Organization is a party to litigation and other claims in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant effect on the financial position, changes in net assets or cash flows of the Organization.

NOTE M - CAPITAL LEASE OBLIGATION

In 2016, the Organization entered into a capital lease for property and equipment expiring in July 31, 2020. The following is a schedule, by year, of future minimum lease payments under capital lease obligations, together with the present value of the net minimum lease payments, as of June 30, 2017:

Year Ending June 30,	Amount
2018	$ 67,103
2019	67,103
2020	67,103
2021	11,184
Total minimum lease payments	212,493
Less amount representing interest	15,557
Present value on minimum lease payments	$ 196,936

The present value of minimum future obligations shown above is calculated based on an interest rate of 2.51%.

NOTE N - GRANTS AND OTHER RECEIVABLES

Grants and other receivables consist of the following at June 30, 2017 and 2016:

	2017	2016
Government grants	**$ 917,262**	$ 34,311
Customer and other receivables	**212,309**	295,272
Grants and other receivables, net	**$ 1,129,571**	$ 329,583

Grants and other receivables are expected to be received within one year.

LEARNING ALLY, INC.
(A Not-for-Profit Organization)

Schedule of Functional Expenses
Year Ended June 30, 2017 (with summarized comparative totals for year ended June 30, 2016)

	Program Services			Supporting Services		Total Expenses	
	Production	Services Coordination	Total Program Services	Administration	Fundraising	FY17	FY16
Salaries	$ 3,077,824	$ 3,516,279	$ 6,594,103	$ 1,462,981	$ 1,222,715	**$ 9,279,799**	$ 8,857,515
Employee benefits	682,692	798,921	1,481,613	291,084	211,834	**1,984,531**	2,101,332
Total employee compensation	3,760,516	4,315,200	8,075,716	1,754,065	1,434,549	**11,264,330**	10,958,847
Volunteer services	5,826,522	-	5,826,522	-	-	**5,826,522**	6,942,985
Professional fees	205,572	497,880	703,452	147,312	363,795	**1,214,559**	1,841,554
Rent and utilities	865,083	-	865,083	-	-	**865,083**	892,447
Data processing	62,677	134,817	197,494	321,763	27,156	**546,413**	504,057
Travel and conferences	85,392	225,903	311,295	81,603	94,396	**487,294**	532,128
Maintenance and repairs	202,076	48	202,124	110,366	-	**312,490**	328,277
Telephone	45,368	37,444	82,812	173,649	249	**256,710**	372,979
Production supplies	189,263	-	189,263	6,573	-	**195,836**	211,310
Marketing	2,768	165,541	168,309	451	6,512	**175,272**	256,517
Books and publications	83,482	20,068	103,550	6,475	10,302	**120,327**	141,332
Staff recruitment and training	3,248	65,961	69,209	18,507	-	**87,716**	214,020
Other	2,410	5,171	7,581	76,419	1,484	**85,484**	80,641
Office supplies	52,903	6,718	59,621	4,938	1,885	**66,444**	71,531
Postage and packaging	49,880	5,668	55,548	1,572	6,345	**63,465**	62,769
Awards and grants	-	63,000	63,000	-	-	**63,000**	64,000
Special and community events	217	5,549	5,766	-	54,505	**60,271**	108,124
Volunteer	22,445	1,544	23,989	-	2,745	**26,734**	18,267
Interest	-	-	-	9,801	-	**9,801**	11,998
Expenses before depreciation	11,459,822	5,550,512	17,010,334	2,713,494	2,003,923	**21,727,751**	23,613,783
Depreciation	422,083	16,318	438,401	97,242	1,610	**537,253**	568,618
Total expenses	$ 11,881,905	$ 5,566,830	$ 17,448,735	$ 2,810,736	$ 2,005,533	**$ 22,265,004**	$ 24,182,401

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Learning Ally, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Learning Ally, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EisnerAmper LLP

Iselin, New Jersey
October 27, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, RULES OF THE STATE OF FLORIDA AUDITOR GENERAL AND STATE OF NEW JERSEY OMB CIRCULAR LETTER 15-08

To the Board of Directors of
Learning Ally, Inc.

Report on Compliance for Each Major Federal and State Program

We have audited Learning Ally Inc.'s (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal program, and the Rules of the State of Florida Auditor General and State of New Jersey OMB Circular Letter 15-08 that could have a direct and material effect on each of the Organization's major state programs for the year ended June 30, 2017. The Organization's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Rules of the State of Florida Auditor General and state of New Jersey OMB Circular Letter 15-08. Those standards and the Uniform Guidance, Rules of the State of Florida Auditor General and State of New Jersey OMB Circular Letter 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, Rules of the State of Florida Auditor General and State of New Jersey OMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Rules of the State of Florida Auditor General and State of New Jersey OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

EisnerAmper LLP

Iselin, New Jersey
October 27, 2017

LEARNING ALLY, INC.
(A New Jersey Not-for-Profit Organization)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
– Material weakness(es) identified?	No
– Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
– Noncompliance material to financial statements noted?	No

Federal and State Awards:

Internal control over major programs:	
– Material weakness(es) identified?	No
– Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditors' report issued on compliance for the major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a), the Rules of the State of Florida Auditor General or State of New Jersey OMB Circular Letter 15-08	No

Identification of major programs:

Federal/State Grantor/Program Title	Federal CFDA or State Grant Number
Federal:	
U.S. Department of Education:	
Pass-through from the Texas Education Agency – Educational Outreach Program	84.027
U.S. Department of Education:	
Pass-through from the New Jersey Department of Education – Educational Outreach Program	84.027
State of New Jersey:	
Governor's Literacy Initiative Program	17-100-034-5063-288-H300-6030
State of Florida:	
Florida Department of Education- Learning through Listening	780-95550-7Q00I

The dollar threshold used to distinguish between type A and type B programs was $750,000 for Federal and State awards for the year ended June 30, 2017.

Auditee qualified as low-risk auditee?	Yes

LEARNING ALLY, INC.
(A New Jersey Not-for-Profit Organization)

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV – Summary of Prior Year Findings

No findings reported for the year ended June 30, 2016.

LEARNING ALLY, INC.
(A New Jersey Not-for-Profit Organization)

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2017

Federal/State Grantor or Pass-Through Grantor/Program Title	Pass-Through Grantor Number	Federal CFDA or State Grant Number	Total Expenditures
Federal award:			
U.S. Department of Education			
Pass-through from the New Jersey Department of Education –Educational Outreach Program	17-100-034-5065-086-HRID-6030-2007	84.027	$ 220,000
Pass-through from the Texas Education Agency – Educational Outreach Program	3455	84.027	739,803
Total Expenditures of Federal Awards			$ 959,803
State of Florida Awards:			
Florida Department of Education Learning through Listening	N/A	780-95550-7Q001	$ 1,141,704
State of Illinois Award:			
Educational Outreach Program	N/A	3999-BD 586-18-0515	846,000
State of New Jersey Awards:			
Governor's Literacy Initiative Program	N/A	17-100-034-5063-288-H300-6030	270,000
Grant Period: July 1, 2016 - June 30, 2017			
Grant Award: $270,000			
State of Massachusetts Award:			
Educational Outreach Program	N/A	17ODLAK1	199,418
State of Minnesota Award:			
Educational Outreach Program	N/A	PO#E3701-3000014133	2,600
State of Indiana Award:			
Educational Outreach Program	N/A	PO #9775	70,500
State of North Carolina Award:			
Educational Outreach Program	N/A	NC 10306095/10372434	145,000
State of Virginia Award:			
Special Education Program	N/A	PR7352656 – V2	41,250
Total Expenditures of State Awards			$ 2,716,472

LEARNING ALLY, INC.
(A New Jersey Not-for-Profit Organization)

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2017

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the grant activity of Learning Ally, Inc. and is presented on the accrual basis of accounting for the year ended June 30, 2017. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, as well as, those of the respective states listed on the schedule of expenditures of federal and state awards (see page 28), and is not a required part of the basic financial statements. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The Organization has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance, Rules of the State of Florida Auditor General and State of New Jersey OMB Circular Letter 15-08.