

HEARING LOSS ASSOCIATION OF AMERICA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

HEARING LOSS ASSOCIATION OF AMERICA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

CONTENTS

	PAGE
Report of Independent Auditors	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

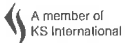
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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Hearing Loss Association of America, Inc.

We have audited the accompanying statements of financial position of the Hearing Loss Association of America, Inc. (HLAA) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, of functional expenses and of cash flows for the years then ended. These financial statements are the responsibility of HLAA's management. 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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearing Loss Association of America, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Washington, DC
June 8, 2011

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 967,358	\$ 875,727
Accounts receivable	75,792	102,064
Prepaid expenses and deposits	90,184	18,332
Total current assets	1,133,334	996,123
PROPERTY AND EQUIPMENT		
Leasehold improvements	6,050	6,050
Furniture and fixtures	18,266	11,266
Equipment	329,731	294,981
	354,047	312,297
Less accumulated depreciation and amortization	(297,824)	(277,459)
Net property and equipment	56,223	34,838
INVESTMENTS		
Total assets	204,046	201,449
	\$ 1,393,603	\$ 1,232,410
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 105,350	\$ 87,565
Accrued salaries and vacation payable	30,223	22,756
Deferred revenue	167,139	72,317
Current portion of estimated liability on annuity contracts	3,600	2,500
Total current liabilities	306,312	185,138
Long-term estimated liability on annuity contracts	6,057	14,000
Total liabilities	312,369	199,138
NET ASSETS		
Unrestricted	567,136	651,293
Temporarily restricted	330,408	197,311
Permanently restricted	183,690	184,668
Total net assets	1,081,234	1,033,272
Total liabilities and net assets	\$ 1,393,603	\$ 1,232,410

See accompanying notes to financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 891,282	\$ 192,182	\$ 2,690	\$ 1,086,154
Grants and contracts	4,412	-	-	4,412
Membership dues	225,423	-	-	225,423
Advertising	151,453	-	-	151,453
Convention	378,085	-	-	378,085
Publication sales	3,596	-	-	3,596
Investment income	9,415	4,051	(3,668)	9,798
Other revenue	55,971	-	-	55,971
Net assets released from restriction				
Satisfaction of purpose restrictions	63,136	(63,136)	-	-
Total public support and revenues	<u>1,782,773</u>	<u>133,097</u>	<u>(978)</u>	<u>1,914,892</u>
EXPENSES				
Program services				
Chapters	98,844	-	-	98,844
Convention	351,667	-	-	351,667
Journal	212,164	-	-	212,164
Membership	196,741	-	-	196,741
Publications	3,580	-	-	3,580
Advocacy	80,059	-	-	80,059
RERC-HAT Training Expenses	18,508	-	-	18,508
States	34,720	-	-	34,720
HAT Center	414	-	-	414
American Academy of Hearing Loss support specialists	24,427	-	-	24,427
Captioning	5,754	-	-	5,754
Loop Project	32,340	-	-	32,340
Total program services	<u>1,059,218</u>	<u>-</u>	<u>-</u>	<u>1,059,218</u>
Supporting services				
Administrative	324,210	-	-	324,210
Fund raising	177,355	-	-	177,355
Fund raising - Walk for Hearing	306,147	-	-	306,147
Total supporting services	<u>807,712</u>	<u>-</u>	<u>-</u>	<u>807,712</u>
Total expenses	<u>1,866,930</u>	<u>-</u>	<u>-</u>	<u>1,866,930</u>
CHANGE IN NET ASSETS	(84,157)	133,097	(978)	47,962
NET ASSETS				
Beginning of year	<u>651,293</u>	<u>197,311</u>	<u>184,668</u>	<u>1,033,272</u>
End of year	<u>\$ 567,136</u>	<u>\$ 330,408</u>	<u>\$ 183,690</u>	<u>\$ 1,081,234</u>

See accompanying notes to financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 1,075,498	48,211	\$ 8,008	\$ 1,131,717
Grants and contracts	5,042	-	-	5,042
Membership dues	226,524	-	-	226,524
Advertising	185,348	-	-	185,348
Convention	361,706	-	-	361,706
Publication sales	5,240	-	-	5,240
Investment income	13,879	6,208	2,850	22,937
Other revenue	39,706	-	-	39,706
Net assets released from restrictions				
Satisfaction of purpose restrictions	58,835	(58,835)	-	-
Total public support and revenues	1,971,778	(4,416)	10,858	1,978,220
EXPENSES				
Program services				
Chapters	41,893	-	-	41,893
Convention	325,936	-	-	325,936
Journal	202,000	-	-	202,000
Membership	153,067	-	-	153,067
Publications	3,165	-	-	3,165
Advocacy	81,467	-	-	81,467
RERC-HAT Training Expenses	26,964	-	-	26,964
States	31,303	-	-	31,303
HAT Center	282	-	-	282
American Academy of Hearing Loss support specialists	29,971	-	-	29,971
Captioning	4,603	-	-	4,603
Total program services	900,651	-	-	900,651
Supporting services				
Administrative	326,557	-	-	326,557
Fund raising	125,217	-	-	125,217
Fund raising - Walk for Hearing	217,649	-	-	217,649
Total supporting services	669,423	-	-	669,423
Total expenses	1,570,074	-	-	1,570,074
CHANGE IN NET ASSETS	401,704	(4,416)	10,858	408,146
NET ASSETS				
Beginning of year	249,589	201,727	173,810	625,126
End of year	\$ 651,293	\$ 197,311	\$ 184,668	\$ 1,033,272

See accompanying notes to financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	Program Services										Supporting Services							
	Chapters	Convention	Journal	Membership	Publications	Advocacy	RERC-HAT Training Expense	States	HAT Center	Academy of Hearing Loss Specialists	Captioning	Loop Project	Total Program Services	Administrative	Fund Raising	Fundraising - Walk for Hearing	Total Supporting Services	Total
Salaries	\$ 44,374	\$ 47,297	\$ 58,042	\$ 84,992	\$ -	\$ 38,844	\$ 9,887	\$ 21,237	\$ -	\$ 11,984	\$ 5,345	\$ 15,368	\$ 337,370	\$ 166,714	\$ 26,368	\$ 109,030	\$ 302,112	\$ 639,482
Payroll taxes	3,257	3,923	4,752	7,991	-	3,535	701	1,675	-	951	409	1,129	28,323	15,962	2,117	9,021	27,100	55,423
Employee benefits	5,054	2,068	2,789	6,067	-	7,481	400	226	-	706	-	-	24,791	9,594	1,075	4,969	15,638	40,429
Total salaries and related expenses	52,685	53,288	65,583	99,050	-	49,860	10,988	23,138	-	13,641	5,754	16,497	390,484	192,270	29,560	123,020	344,850	735,334
Printing	-	28,739	69,370	27,465	-	-	-	-	-	-	-	5,220	130,794	1,397	26,514	44,766	72,677	203,471
Travel and meals	16,801	6,930	-	44	-	717	5,915	-	-	-	-	362	30,769	1,660	5,341	20,069	27,070	57,839
Rent	4,877	12,329	11,474	14,690	-	10,254	180	4,299	2,882	-	-	-	60,805	31,017	9,873	19,283	60,173	120,978
Postage	1,802	1,813	16,627	9,625	1,709	122	180	-	0	-	-	-	31,878	2,582	14,040	6,451	23,073	54,951
Equipment rental	732	41,358	1,722	2,210	-	1,545	125	647	432	457	-	-	48,771	4,650	1,493	2,938	9,081	57,852
Depreciation	778	1,984	1,827	2,354	-	1,650	-	691	-	-	-	-	9,741	5,838	1,601	3,185	10,624	20,365
Accounting and legal	-	-	-	-	-	-	-	-	-	-	-	-	10,000	15,110	55,750	18,000	73,750	83,750
Consulting	-	17,496	-	-	-	-	-	-	-	-	-	10,000	46,649	4,781	-	-	4,781	51,430
Commissions	-	132,596	-	-	-	-	-	-	-	-	-	-	132,596	-	-	-	-	132,596
Events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	2,718	6,929	6,580	8,221	-	5,911	-	2,449	1,183	-	-	-	34,205	17,220	5,592	11,123	33,935	68,140
Telephone	407	1,274	1,688	1,319	-	784	-	328	215	-	-	-	6,015	2,247	766	3,617	6,630	12,645
Supplies	1,155	9,153	816	3,928	1,871	801	-	324	3,550	-	-	-	21,598	3,529	2,659	24,812	31,000	52,598
Bank fees	-	372	-	5,333	-	-	-	-	-	-	-	-	5,705	-	5,333	8,112	13,445	19,150
Captioning services	974	17,650	-	-	-	-	1,225	-	-	-	261	-	20,110	2,568	-	-	2,568	22,678
Volunteer recognition	-	-	-	-	-	-	-	-	-	-	-	-	-	410	-	-	410	-
Dues and subscriptions	-	660	-	17	-	831	-	-	185	-	-	-	1,693	1,540	1,307	100	2,947	4,640
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	281	-	-	281	194
Staff training	-	-	-	-	-	-	-	-	-	-	-	-	-	194	-	-	194	30
Investment fees	-	-	-	-	-	-	-	-	-	-	-	-	-	30	-	-	30	60
Temporary help	-	-	-	-	-	-	-	-	-	-	-	-	-	60	-	-	60	31,730
Public relations	10,000	-	-	5,439	-	75	-	-	-	-	-	-	15,514	140	9,312	6,764	16,216	8,555
Insurance	(264)	1,623	789	1,017	-	712	-	298	197	-	-	-	4,372	2,117	691	1,375	4,183	8,555
Payroll services	127	324	298	384	-	269	-	113	75	-	-	-	1,590	805	261	520	1,586	3,176
Licenses/taxes	-	-	-	6,738	-	-	-	-	-	-	-	-	6,738	1,123	1,521	-	2,644	9,382
Miscellaneous	1,049	-	-	-	-	-	-	-	-	-	-	-	1,049	843	100	-	943	1,992
Awards	175	9,442	-	-	-	-	-	-	-	-	-	-	9,617	1,032	-	-	1,032	10,649
Office equipment	1,906	715	-	5,415	-	715	75	-	-	-	-	-	8,826	1,826	-	791	2,617	11,443
Storage	120	305	281	362	-	254	-	106	70	-	-	-	1,498	758	246	490	1,494	2,992
Website	180	-	-	3,130	-	-	-	-	-	-	-	-	3,310	293	-	-	293	3,603
Convio	2,622	6,687	6,156	-	-	5,559	-	2,327	1,540	-	-	-	24,891	16,605	5,395	10,731	32,731	57,622
Total	\$ 98,844	\$ 351,667	\$ 212,164	\$ 196,741	\$ 3,580	\$ 80,059	\$ 18,508	\$ 34,720	\$ 414	\$ 24,427	\$ 5,754	\$ 32,340	\$ 1,059,218	\$ 324,210	\$ 177,355	\$ 306,147	\$ 807,712	\$ 1,866,930

See accompanying notes to financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2009

	Program Services										Supporting Services						
	Chapters	Convention	Journal	Membership	Publications	Advocacy	RERC-HAT Training Expenses	States	HAT Center	American Academy of Hearing Loss Support Specialists	Captioning	Total Program Services	Administrative	Fund Raising	Fundraising - Walk for Hearing	Total Supporting Services	
Salaries	\$ 24,480	\$ 60,465	\$ 57,591	\$ 69,238	\$ -	\$ 42,682	\$ 12,255	\$ 20,538	\$ -	\$ 15,700	\$ 4,276	\$ 307,225	\$ 177,422	\$ 47,388	\$ 69,947	\$ 294,757	
Payroll taxes	1,896	4,785	4,607	5,639	-	3,302	924	1,594	-	1,206	327	24,280	14,822	3,659	5,600	24,081	
Employee benefits	2,375	2,698	1,882	9,599	-	8,661	1,654	61	-	1,727	-	28,657	12,236	3,544	6,593	22,373	
Total salaries and related expenses	28,751	67,948	64,080	84,476	-	54,645	14,833	22,193	-	18,633	4,603	360,162	204,480	54,591	82,140	341,211	
Printing	-	11,758	94,041	14,383	-	-	-	-	-	-	-	120,182	848	21,708	38,529	61,085	
Travel and meals	279	7,794	-	266	-	965	9,582	-	-	-	-	18,886	997	3,917	14,764	19,678	
Rent	5,363	12,664	13,321	15,529	-	10,718	-	4,350	44	3,454	-	65,443	35,642	8,867	14,431	58,940	
Postage	133	1,233	6,221	6,811	1,581	168	117	59	-	47	-	16,370	1,818	12,306	3,139	17,263	
Equipment rental	735	36,496	1,956	2,140	-	1,571	687	576	19	505	-	44,685	5,016	1,131	2,081	8,228	
Depreciation	215	498	516	621	-	416	-	177	-	134	-	2,577	1,327	367	565	2,259	
Accounting and legal	-	3,000	-	-	-	-	-	-	-	-	-	-	13,142	-	1,326	14,468	
Consulting	-	136,149	-	-	-	-	-	-	-	-	-	136,149	125	-	15,000	15,125	
Events	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Repairs and maintenance	1,214	3,051	3,348	3,554	-	2,687	-	936	42	862	-	15,694	10,574	1,711	3,552	13,041	
Telephone	569	1,186	1,852	1,978	41	946	62	403	305	7,342	-	7,778	7,778	1,122	3,132	7,967	
Supplies	299	12,598	480	964	1,543	386	158	164	1,884	-	-	18,476	2,106	1	21,443	23,550	
Bank fees	-	18	-	11,288	-	-	-	-	-	-	-	11,306	623	11,288	137	12,048	
Captioning services	-	13,153	-	-	-	-	1,525	-	-	-	-	14,678	2,495	-	-	12,048	
Volunteer recognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dues and subscriptions	-	175	-	-	-	1,175	-	-	510	-	-	1,860	50	-	-	50	
Interest	-	-	-	-	-	-	-	-	-	-	-	1,406	-	-	-	1,406	
Temporary help	-	-	-	-	-	-	-	-	-	-	-	1,046	-	-	-	1,046	
Insurance	(188)	672	748	1,139	-	602	-	256	-	-	-	3,423	120	-	120	120	
Payroll services	138	320	332	399	-	267	-	114	194	-	-	1,656	2,089	532	518	3,139	
Licenses/taxes	-	-	-	3,948	-	-	-	-	86	-	-	3,948	915	236	363	1,514	
Miscellaneous	1,264	600	-	-	-	-	-	-	-	-	-	1,864	448	-	448	4,396	
Awards	273	9,004	-	-	-	-	-	-	-	-	-	8,592	8,592	509	9,101	10,965	
Office equipment	21	93	49	1,425	-	40	-	17	-	1,003	-	2,648	688	-	1,269	10,546	
Storage	137	324	341	397	-	274	-	111	88	-	-	911	911	35	113	3,484	
Website	-	-	-	3,749	-	-	-	-	-	-	-	3,749	397	227	369	1,507	
Convoio	2,690	7,202	8,245	-	-	6,607	-	1,947	176	2,116	-	28,983	18,422	3,439	397	4,146	
Total	\$ 41,893	\$ 325,936	\$ 202,000	\$ 153,067	\$ 3,165	\$ 81,467	\$ 26,964	\$ 31,303	\$ 282	\$ 29,971	\$ 4,603	\$ 900,651	\$ 326,557	\$ 125,217	\$ 217,649	\$ 669,423	
																	\$ 1,570,074

See accompanying notes to financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 47,962	\$ 408,146
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net depreciation (appreciation) in fair value of investments	(387)	(13,848)
Depreciation and amortization	20,365	4,836
Permanently restricted contributions to Rocky Stone Endowment Fund	(2,690)	(8,008)
Changes in assets and liabilities		
Accounts receivable	26,272	(30,674)
Prepaid expenses and deposits	(71,852)	(7,925)
Accounts payable	17,785	38,670
Accrued salaries and vacation payable	7,467	2,401
Deferred revenue	94,822	(52,701)
Liability on annuity contracts	(6,843)	(20,442)
Net cash provided by operating activities	<u>132,901</u>	<u>320,455</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	2,984	(2,293)
Proceeds from sales and maturities of investments	(5,194)	57
Purchases of property and equipment	(41,750)	(34,305)
Net cash used for investing activities	<u>(43,960)</u>	<u>(36,541)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions to Rocky Stone Endowment Fund	<u>2,690</u>	<u>8,008</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,631	291,922
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>875,727</u>	<u>583,805</u>
End of year	<u>\$ 967,358</u>	<u>\$ 875,727</u>
SUPPLEMENTAL INFORMATION:		
Interest paid during the year	<u>\$ 281</u>	<u>\$ 1,104</u>
Income taxes paid	<u>\$ 6,738</u>	<u>\$ 3,948</u>

See accompanying notes to financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

Hearing Loss Association of America, Inc. (HLAA), formerly Self Help for Hard of Hearing People, Inc. is a Maryland, not-for-profit corporation. HLAA's principal activity is to encourage identification of those persons having a hearing problem, provide education for them, their families, and friends on how best to cope with the problem, and foster public and private programs aimed at alleviating the problem.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The financial statements have been prepared using the accrual basis of accounting.

Management Estimates and Assumptions - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents - For purposes of the statements of cash flows, HLAA considers cash in operating bank accounts, cash on hand, certificates of deposit and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments - Investments are stated at fair value. Donated investments are reflected as contributions at their market values at date of receipt.

Property and Equipment - Property and equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to twelve years.

Annuities Payable - Carrying amounts represent the present value of the contractual payments over the estimated remaining term, which approximates the fair value of these obligations.

Revenue Recognition - Revenue received before it is earned is recorded as deferred revenue. Membership dues are recorded as income in the year they are received.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

In-kind Contributions - HLAA at times receives services and/or supplies donated from vendors and suppliers that contract services with HLAA. HLAA did not receive in-kind contributions in 2010 or 2009.

Additionally, a number of volunteers have contributed significant amounts of time to the activities of the organization without compensation. These volunteer services are not recorded in the financial statements because the contributed services did not meet the criteria for recognition under generally accepted accounting principles.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events Review - Subsequent events have been evaluated through June 8, 2010, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

NOTE 3. INVESTMENTS

Investments at December 31, 2010 and 2009, respectively, consist of the following:

	<u>2010</u>	<u>2009</u>
Short-term investments	\$ 19,879	\$ 16,545
Stocks	1,210	1,149
Stock, long-term investment - permanently restricted	90,451	94,149
Mutual funds - equity	13,008	11,941
Mutual fund - fixed income	42,574	43,612
Variable annuity contracts	16,938	15,962
Life insurance contracts	<u>19,986</u>	<u>18,091</u>
Long-term portion	<u>\$ 204,046</u>	<u>\$ 201,449</u>

NOTE 3. INVESTMENTS (CONTINUED)

During the years ended December 31, 2010 and 2009, the permanently restricted stock appreciated (depreciated) by \$(3,688) and \$2,850 respectively. Investment income for the years ended December 31, 2010 and 2009, respectively, is as follows:

	<u>2010</u>	<u>2009</u>
Interest	\$ 5,747	\$ 5,482
Dividends	3,664	3,607
Net appreciation (depreciation) in fair value of investments	<u>387</u>	<u>13,848</u>
Total investment income	<u>\$ 9,798</u>	<u>\$ 22,937</u>

Long-Term Securities - HLAA received a stock gift which the donors have specified that the stock and any stock dividends remain as stock and not be sold. The gift is recorded as a permanently restricted asset. Under the agreement, HLAA is permitted to use any cash dividends to fund current operations. Accordingly, the stock has been reported as a long-term investment in the accompanying financial statements.

Pooled Income Fund - In 1989, HLAA established a pooled income fund within the meaning of Rev. Proc. 88-53 and Section 642 (c)(5) of the Internal Revenue Code. The Fund is designated to provide long-range support for HLAA, and to provide a source of income for the donor and his or her beneficiaries.

Variable Annuity Contracts - HLAA is the owner of variable annuity contracts with Massachusetts Mutual Life Insurance Company. The annuitants receive a predetermined annual distribution from HLAA. The investments in the contracts have been recorded as an asset at market value in the accompanying financial statements. An estimated liability for payments to the annuitants has also been recorded in the financial statements.

Life Insurance - HLAA is the owner of whole life insurance policies with Massachusetts Mutual Life Insurance Company. All premiums are paid by the insured. Upon death of the insured, HLAA will receive a lump sum distribution. The policies have been recorded at cash surrender value in the accompanying financial statements.

Beginning in 2008, HLAA adopted revised accounting standards regarding fair value measurements. For assets and liabilities measured at fair value on a recurring basis, this standard requires quantitative disclosures about fair value measurements separately for each major category of assets and liabilities. This standard further clarifies the definition of fair value for financial reporting, establishes a hierarchal disclosure framework for measuring fair value and requires additional disclosures about the use of fair value measurements.

NOTE 3. INVESTMENTS (CONTINUED)

The three levels of fair value under this standard are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the investments as of December 31, 2010:

<u>Description</u>	<u>Total Investments at 12/31/10</u>	<u>Quoted Market Prices for Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level3)</u>
Common stocks	\$ 91,661	\$ 91,661	\$ -	\$ -
Pooled income fund	75,461	75,461	-	-
Variable annuity and life insurance contracts	<u>36,924</u>	<u>-</u>	<u>-</u>	<u>36,924</u>
	<u>\$ 204,046</u>	<u>\$ 167,122</u>	<u>\$ -</u>	<u>\$ 36,924</u>

Changes in Level 3 Category

Beginning balance – 1/1/2010	\$ 34,053
Net purchases	409
Net gains (realized and unrealized)	<u>2,462</u>
Ending balance – 12/31/10	<u>\$ 36,924</u>

Net gains (realized and unrealized) reported above are included in investment income on the accompanying statements of activities. The amount of the net gains related to investments held at December 31, 2010 was \$2,184.

NOTE 3. INVESTMENTS (CONTINUED)

The following is a summary of the inputs used to value the investments as of December 31, 2009:

<u>Description</u>	<u>Total Investments at 12/31/10</u>	<u>Quoted Market Prices for Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stocks	\$ 95,298	\$ 95,298	\$ -	\$ -
Pooled income fund	72,098	72,098	-	-
Variable annuity and life insurance contracts	<u>34,053</u>	<u>-</u>	<u>-</u>	<u>34,053</u>
	<u>\$ 201,449</u>	<u>\$ 167,396</u>	<u>\$ -</u>	<u>\$ 34,053</u>

Changes in Level 3 Category

Beginning balance – 1/1/2009	\$ 30,981
Net purchases	339
Net gains (realized and unrealized)	<u>2,733</u>
Ending balance – 12/31/09	<u>\$ 34,053</u>

Net gains (realized and unrealized) reported above are included in investment income on the accompanying statements of activities. The amount of the net gains related to investments held at December 31, 2009 was \$2,733.

NOTE 4. DEFERRED REVENUE

Deferred revenue at December 31 consists of the following:

	<u>2010</u>	<u>2009</u>
Convention	\$ 133,194	\$ 49,867
Website advertising	-	2,450
Journal advertising	10,160	20,000
Walk	17,500	-
Loop Conference	<u>6,285</u>	<u>-</u>
Total	<u>\$ 167,139</u>	<u>\$ 72,317</u>

NOTE 5. RESTRICTIONS ON NET ASSETS

HLAA's investment funds consist of 9 individual funds established for a variety of purposes. As required under generally accepted accounting principles, net assets associated with the investment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Boards of Trustees have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of a donor-restricted fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, HLAA classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment, (c) accumulations to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) unrealized appreciation or depreciation in the value of the permanently restricted investments; however, the value of the investments shall not fall below the value of the original contribution except in cases where the donor has expressly prohibited HLAA from selling the originally gifted securities. The remaining portion of donor-restricted funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets or unrestricted net assets until those amounts are appropriated for expenditure by HLAA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, HLAA considers the following factors in making a determination to appropriate or accumulated donor-restricted funds:

- The duration and preservation of the fund
- The purposes of HLAA and the donor-restricted fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of HLAA
- The investment policies of HLAA

Permanent Restrictions

As part of the 'Rocky Stone Fund', HLAA has received, and will continue to receive contributions that must be invested in perpetuity, but for which the related earnings thereon are temporarily restricted to fund certain annual expenses. Earnings on the 'Rocky Stone Fund' are currently temporarily restricted for the funding of HLAA convention scholarship aid.

HLAA received a gift of shares of Archer Daniels Midland Company (ADM) which must be held in perpetuity. Earnings on the ADM shares are unrestricted net assets, and can be used by HLAA without permanent or temporary restriction.

Temporary Restrictions

As noted above, HLAA has received, and will continue to receive contributions as part of the 'Rocky Stone Fund' whose income is currently temporarily restricted to the funding of HLAA convention scholarship aid. HLAA also receives funds which are primarily temporarily restricted, but include a portion of funds which are available for unrestricted purposes. In many cases, the earnings on the investment of temporarily restricted funds are not similarly restricted.

NOTE 5. RESTRICTIONS ON NET ASSETS

As of December 31, 2010, restricted and designated balances in HLAA's funds, by net asset class, are as follows:

<u>Fund</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board reserve	\$ 486,987	\$ -	\$ -	\$ 486,987
Pooled Income fund	-	75,461	-	75,461
CI Booklet	-	291	-	291
Hear 2 Care	-	8,395	-	8,395
Walk Video	-	2,000	-	2,000
Work kit	-	5,000	-	5,000
Cochlear ear implant	-	70	-	70
Legal settlement contributions	-	92,899	-	92,899
DVD	-	3,140	-	3,140
Loop Project	-	142,660	-	142,660
Permanently restricted stock	-	-	90,483	90,483
Rocky Stone Endowment fund	-	492	93,207	93,699
	<u>\$ 486,987</u>	<u>\$ 330,408</u>	<u>\$ 183,690</u>	<u>\$ 1,001,085</u>

As of December 31, 2009, restricted and designated balances in HLAA's funds, by net asset class, are as follows:

<u>Fund</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board reserve	\$ 243,053	\$ -	\$ -	\$ 243,053
Pooled Income fund	-	72,098	-	72,098
CI Booklet	-	291	-	291
Hear 2 Care	-	8,395	-	8,395
Walk Video	-	12,000	-	12,000
Work kit	-	5,000	-	5,000
Cochlear ear implant	-	70	-	70
Legal settlement contributions	-	98,653	-	98,653
Permanently restricted stock	-	-	94,151	94,151
Rocky Stone Endowment fund	-	804	90,517	91,321
	<u>\$ 243,053</u>	<u>\$ 197,311</u>	<u>\$ 184,668</u>	<u>\$ 625,032</u>

NOTE 6. UNRESTRICTED NET ASSETS

The Board of Trustees of Hearing Loss Association of America has adopted an accounting and financial reporting policy for Unrestricted Net Assets that defines Unrestricted Net Assets as either Operating Unrestricted Net Assets or Board-Reserved Unrestricted Net Assets.

Board-reserved Unrestricted Net Assets accumulate from bequests and from other unusual and non-recurring income not associated with the day to day operations of the Association.

Operating Unrestricted Net Assets accumulate from all other income net of expenses, and from amounts released from temporarily restricted net assets to unrestricted net assets.

For 2010 and 2009, except for investment income allocable to a transfer from Permanently Restricted Net Assets in 2008, all investment income is allocated to Operating Unrestricted Net Assets. For future reporting periods, investment income will be allocated in a manner to be determined by the Board of Trustees.

Unrestricted Net Assets for 2009 and 2010 are allocated as follows:

	<u>Operations</u>	<u>Board-Reserved</u>	<u>Total</u>
Unrestricted Net Assets, January 1, 2009	\$ 46,043	\$ 203,546	\$ 249,589
Activity for year ended December 31, 2009:			
Excess of operating income over expense	85,937	-	85,937
Investment income	13,879	-	13,879
Released from temporarily restricted net assets	58,835	-	58,835
Bequests	-	243,053	243,053
Total activity for year ended December 31, 2009	<u>158,651</u>	<u>243,053</u>	<u>401,704</u>
Unrestricted net assets, December 31, 2009	204,694	446,599	651,293
Activity for year ended December 31, 2010			
Excess of operating income over expense	(197,099)	-	(197,099)
Investment income	9,418	-	9,418
Released from temporarily restricted net assets	63,136	-	63,136
Bequests	-	40,388	40,388
Total activity for year ended December 31, 2010	<u>(124,545)</u>	<u>40,388</u>	<u>(84,157)</u>
Unrestricted net assets, December 31, 2010	<u>\$ 80,149</u>	<u>\$ 486,987</u>	<u>\$ 567,136</u>

NOTE 7. DEFINED CONTRIBUTION PLAN

HLAA maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all employees with at least one year of service and requires participants to make a minimum deferral of 1% of their salary. HLAA contributed 3% on behalf of the eligible participants. Employer contributions to the plan were \$6,235 and \$4,929 for the years ended December 31, 2010 and 2009.

NOTE 8. COMMITMENTS

HLAA has entered into a lease for office space which expires June 30, 2020. Future minimum rent payments at December 31, 2010 are as follows:

Year Ending December 31:	
2011	\$ 119,937
2012	124,734
2013	129,724
2014	134,912
Thereafter	843,639

Rent expense was \$120,978 and \$120,747 in 2010 and 2009, respectively.

NOTE 9. CONCENTRATION OF CREDIT RISK

At December 31, 2010, HLAA maintained approximately \$13,000 cash in financial institutions and with an investment custodian in excess of federally insured limits.

NOTE 10. TAX STATUS

HLAA is exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, except that any unrelated business income is subject to Federal taxes. During the years ended December 31, 2010 and 2009, HLAA paid income taxes of \$6,738 and \$3,948, respectively, for unrelated business income in connection with their magazine advertising activities.