

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Financial Statements

As of and for the Fiscal Year ended August 31, 2013

With Report of Independent Auditors

HEARING LOSS ASSOCIATION OF AMERICA, INC.

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees of
Hearing Loss Association of America, Inc.

We have audited the accompanying financial statements of the Hearing Loss Association of America (HLAA), which comprise the statement of financial position as of August 31, 2013, the related statements of activities, cash flows and functional expenses for the year 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hearing Loss Association of America at August 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report of adjustments to 2012 financial statements

We also audited the adjustments described in Note 3 that were applied to restate net assets as of August 31, 2012. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2012 financial statements of HLAA other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

Mitchell & Titus, LLP

October 30, 2014

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Statement of Financial Position

As of August 31, 2013

ASSETS

Current assets

Cash and cash equivalents	\$ 593,745
Accounts receivable, net	52,149
Walk 4 Hearing receivable	284,947
Prepaid expenses and deposits	<u>60,460</u>
Total current assets	<u>991,301</u>

Property and equipment

Leasehold improvements	6,050
Furniture and fixtures	18,266
Equipment	<u>357,468</u>
	381,784
Less accumulated depreciation and amortization	<u>(369,491)</u>
Net property and equipment	<u>12,293</u>

Other assets	25,253
Investments	<u>901,003</u>

Total assets \$ 1,929,850

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 43,576
Accrued salaries and vacation payable	21,355
Deferred revenue	225,293
Due to designated beneficiaries	12,338
Current portion of estimated liability on annuity contracts	<u>3,200</u>
Total current liabilities	305,762

Deferred rent liability	57,953
Long-term estimated liability on annuity contracts	<u>669</u>
Total liabilities	<u>364,384</u>

Net assets

Unrestricted	1,136,529
Temporarily restricted	202,007
Permanently restricted	<u>226,930</u>
Total net assets	<u>1,565,466</u>
Total liabilities and net assets	<u>\$ 1,929,850</u>

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Statement of Activities

For the Year Ended August 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 524,069	\$ 2,500	\$ 4,817	\$ 531,386
Walk 4 Hearing	769,280	-	-	769,280
Grants and contracts	7,232	220,174	-	227,406
Membership dues	177,984	-	-	177,984
Advertising	201,275	-	-	201,275
Convention	555,621	-	-	555,621
Publication sales	6,175	-	-	6,175
Investment income	7,604	1,347	25,439	34,390
Other revenue	2,777	-	-	2,777
<i>Net assets released from restriction</i>				
Satisfaction of purpose restrictions	<u>254,089</u>	<u>(254,089)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>2,506,106</u>	<u>(30,068)</u>	<u>30,256</u>	<u>2,506,294</u>
EXPENSES				
<i>Program services</i>				
Chapters	93,852	-	-	93,852
Convention	506,061	-	-	506,061
Magazine	218,748	-	-	218,748
Membership	144,923	-	-	144,923
Publications	6,603	-	-	6,603
Advocacy	84,661	-	-	84,661
RERC-HAT Training Expenses	36,171	-	-	36,171
States	19,494	-	-	19,494
American Academy of Hearing Loss support specialists	20,786	-	-	20,786
Captioning	13,731	-	-	13,731
International Loop Conference	24,215	-	-	24,215
Chapter Leadership Training	24,995	-	-	24,995
CEA HAT Training	49,498	-	-	49,498
NAS Workshop	20,000	-	-	20,000
Movie Access	444	-	-	444
Consumer Advice Project	2,500	-	-	2,500
Loop Initiative	55,956	-	-	55,956
Total program services	<u>1,322,638</u>	<u>-</u>	<u>-</u>	<u>1,322,638</u>
<i>Supporting services</i>				
Administrative	514,175	-	-	514,175
Fund raising	189,981	-	-	189,981
Fund raising - Walk for Hearing	420,918	-	-	420,918
Subtotal - Fund raising	<u>610,899</u>	<u>-</u>	<u>-</u>	<u>610,899</u>
Total supporting services	<u>1,125,074</u>	<u>-</u>	<u>-</u>	<u>1,125,074</u>
Total expenses	<u>2,447,712</u>	<u>-</u>	<u>-</u>	<u>2,447,712</u>
Change in net assets	58,394	(30,068)	30,256	58,582
<i>Net assets</i>				
Beginning of year (as restated)	<u>1,078,135</u>	<u>232,075</u>	<u>196,674</u>	<u>1,506,884</u>
End of year	<u>\$ 1,136,529</u>	<u>\$ 202,007</u>	<u>\$ 226,930</u>	<u>\$ 1,565,466</u>

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Statement of Cash Flows

For the Year Ended August 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 58,582
<i>Adjustments to reconcile change in net assets to net cash used for operating activities</i>	
Net (appreciation) in fair value of investments	(28,484)
Depreciation and amortization	21,563
Permanently restricted contributions	(4,817)
<i>Changes in assets and liabilities</i>	
Accounts receivable	(5,883)
Prepaid expenses and deposits	(21,934)
Accounts payable	6,769
Accrued salaries and vacation payable	7,788
Deferred rent liability	13,146
Due to beneficiaries	12,338
Deferred revenue	37,316
Liability on annuity contracts	(3,081)
Net cash provided by operating activities	<u>93,303</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	25,849
Purchase of investments	(704,693)
Purchases of property and equipment	(5,985)
Net cash used by investing activities	<u>(684,829)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Permanently restricted contributions, representing cash from financing activities	<u>4,817</u>
Net change in cash and cash equivalents	(586,709)
<i>Cash and cash equivalents</i>	
Beginning of year	<u>1,180,454</u>
End of year	<u>\$ 593,745</u>

SUPPLEMENTAL INFORMATION

Interest paid	<u>\$ 407</u>
Income taxes paid	<u>\$ 7,986</u>

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2013

	Chapters	Convention	Journal	Membership	Publications	RERC-HAT					Loop Initiative	Int Loop Conf	Chapt Lead Train	CEA HAT Training	NAS Workshop	Movie Access	Consumer Advice	Total Program Services	Administrative	Fundraising		Total Support		Total
						Advocacy	Training	States	Academy	Captioning										Fundraising	Walk	Services	Total	
Salaries	\$ 47,607	\$ 85,661	\$ 63,635	\$ 61,529	\$ -	\$ 39,697	\$ 16,648	\$ 16,160	\$ 7,994	\$ 12,755	\$ -	\$ 1,798	\$ 1,474	\$ 14,919	\$ -	\$ -	\$ 2,500	\$ 372,377	\$ 220,580	\$ 32,929	\$ 135,314	\$ 388,823	\$ 761,200	
Payroll Taxes	3,909	7,683	5,659	6,251	-	2,686	1,274	1,261	693	976	-	138	113	-	-	-	30,643	18,807	2,800	12,520	34,127	64,770		
Employee Benefits	11,889	3,780	3,646	2,140	-	16,661	-	(799)	1,129	-	212	-	-	-	-	10	38,668	24,856	3,009	6,615	34,480	73,148		
Total Salaries, Taxes, Benefits	63,405	97,124	72,940	69,920	-	59,044	17,922	16,622	9,816	13,731	212	1,936	1,587	14,919	-	10	441,688	264,243	38,738	154,449	457,430	899,118		
Printing	157	4,508	56,321	21,516	-	74	-	-	-	-	3,743	-	-	-	-	-	86,319	473	14,395	58,605	73,473	159,792		
Design/Typesetting	-	5,269	18,911	780	-	-	-	-	-	-	-	-	-	-	-	-	24,960	370	560	4,068	4,998	29,958		
Travel and Meals	2,752	13,105	-	236	-	(482)	15,812	-	-	-	27,384	17,781	19,594	16,503	-	-	112,685	22,320	1,754	30,000	54,074	166,759		
Rent	10,917	14,606	9,714	13,749	-	10,765	-	1,271	2,639	-	3,952	-	-	-	193	-	67,806	28,964	14,606	26,808	70,378	138,184		
Postage	1,226	1,011	14,032	8,433	5,097	8	131	-	-	-	528	-	-	-	-	-	30,466	2,822	15,237	6,587	24,646	55,112		
Equipment Rental	1,418	50,814	1,278	1,749	-	1,408	150	173	366	-	474	-	-	-	23	-	57,853	3,766	1,913	3,434	9,113	66,966		
Depreciation	1,815	2,429	1,616	2,287	-	1,790	-	211	439	-	657	-	-	-	32	-	11,276	3,400	2,429	4,458	10,287	21,563		
Accounting and Legal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,600	-	-	14,600	14,600		
Consulting	-	-	-	-	-	-	-	-	5,000	-	14,000	2,692	1,075	14,563	-	-	37,330	11,596	64,245	50,000	125,841	163,171		
Contract services	-	27,027	34,335	-	-	-	-	-	-	-	-	-	-	-	-	-	61,362	-	2,133	-	2,133	63,495		
Convention and meetings	-	182,952	-	-	-	-	-	-	-	-	200	1,806	-	-	20,000	-	204,958	169	-	-	169	205,127		
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,237	-	-	22,237	22,237		
Repairs and Maintenance	4,920	6,582	4,378	6,196	-	4,851	-	573	1,189	-	1,781	-	-	-	87	-	30,557	13,093	6,582	12,081	31,756	62,313		
Telephone	546	1,000	793	687	-	538	-	64	132	-	198	-	-	-	10	-	3,968	1,550	731	2,986	5,267	9,235		
Supplies	610	29,023	444	1,287	1,506	552	460	58	121	-	301	-	1,344	453	9	-	36,168	4,983	2,129	18,752	25,864	62,032		
Bank Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,992	-	-	42,992	42,992		
Captioning Services	-	18,625	-	-	-	-	1,695	-	-	-	-	-	1,395	3,060	-	-	24,775	4,482	-	-	4,482	29,257		
Volunteer Recognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,217	-	-	1,217	1,217		
Dues and Subscriptions	77	103	69	97	-	443	1	9	19	-	933	-	-	-	1	-	1,752	1,432	2,387	202	4,021	5,773		
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	407	-	-	407	407		
Staff Training	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	729	-	95	824	824		
Investment Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	242	-	-	242	242		
Public Relations	-	1,442	-	960	-	1,329	-	-	-	-	-	-	-	-	-	-	3,731	864	15,970	899	17,733	21,464		
Insurance	(66)	916	609	862	-	675	-	80	166	-	247	-	-	-	12	-	3,501	1,522	916	1,331	3,769	7,270		
Payroll Services	287	384	255	361	-	283	-	33	69	-	104	-	-	-	5	-	1,781	761	383	705	1,849	3,630		
Licenses and Taxes	-	-	-	7,702	-	-	-	-	-	-	-	-	-	-	-	-	7,702	6,189	284	-	6,473	14,175		
Miscellaneous	675	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675	21,679	284	-	21,679	22,354		
Awards	1,682	9,550	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,232	25	-	-	25	11,257		
Office Equipment	210	281	187	1,059	-	207	-	24	51	-	76	-	-	-	4	-	2,099	622	280	678	1,580	3,679		
Storage	236	316	210	297	-	233	-	28	57	-	85	-	-	-	5	-	1,467	626	316	580	1,522	2,989		
Website	-	-	-	2,985	-	-	-	-	-	-	-	-	-	-	-	-	2,985	-	-	-	-	2,985		
Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,880	-	-	27,880	27,880		
Convio	2,985	3,994	2,656	3,760	-	2,943	-	348	722	-	1,081	-	-	-	53	-	18,542	7,920	3,993	44,200	56,113	74,655		
In-Kind Expense	-	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,000	-	-	-	-	35,000		
Total	\$ 93,852	\$ 506,061	\$ 218,748	\$ 144,923	\$ 6,603	\$ 84,661	\$ 36,171	\$ 19,494	\$ 20,786	\$ 13,731	\$ 55,956	\$ 24,215	\$ 24,995	\$ 49,498	\$ 20,000	\$ 444	\$ 2,500	\$ 1,322,638	\$ 514,175	\$ 189,981	\$ 420,918	\$ 1,125,074	\$ 2,447,712	

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

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.

HLAA has a network of state organizations and local chapters that provide strategies and support that are modeled after HLAA's philosophy. These organizations have volunteer leaders that have direct experience with hearing loss. Services provided to these organizations includes advocacy and promotional material, fundraising and other services as provided under related arrangements.

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 Equivalents

For purposes of the statement of financial position, HLAA considers certificates of deposit and highly liquid investments with an initial maturity of three months or less, when purchased, to be cash equivalents.

Other Asset

Other assets represent whole life insurance policies with Massachusetts Mutual Life Insurance Company owned by HLAA. 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 their cash surrender value and classified as other assets in the accompanying financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

Investments are stated at fair value. Donated investments are reflected as contributions at their fair values at date of receipt. Investments in mutual funds and equity securities are carried at fair value, which is based on published unit values or quoted market prices. Investments in certificates of deposits are carried at costs, which approximates fair value. Income earned from investments, including realized and unrealized gains and losses, is recorded in the net asset class owning the assets, except permanently restricted investments, including realized and unrealized gains and losses, is recorded as temporarily restricted and then reclassified to unrestricted upon appropriation by the Board. Certain permanently restricted investments have donor imposed restrictions such that only investment income is available for use by HLAA with unrealized gains or losses being retained in permanently restricted net assets.

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, generally over a three year period.

Rent Expense

Rent expense is recorded on a straight-line basis over the term of the lease. The difference between rental payments made under the lease and rent expense calculated on the straight-line basis is recorded as prepaid rent or deferred rent liability.

Split-Interest Agreements

HLAA is the beneficiary in a number of split-interest agreements with donors, whereby HLAA controls and invests the donated assets and shares with the donor or the donor's designee income generated from these assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee). At that time, the residual assets are distributed to HLAA.

HLAA records a liability for amounts payable to an annuitant, at fair value, using an actuarial calculation at the time of the gift. The fair value of the liability to the annuitant is accreted to the amount payable to the annuitants over their life expectancy and an adjustment is made annually for a change in the mortality, if any, and results from the investment of the donated asset.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Annuities Payable

Carrying amounts represent the present value of the contractual payments over the estimated remaining term.

Net Assets Classifications

Resources for various purposes are classified for accounting and financial reporting purposes into net asset classes established according to their nature and purpose as follows:

Unrestricted net assets: Consist of resources available for the support of the HLAA's operations. They may be used at the discretion of HLAA's management and the Board of Trustees.

Temporarily restricted net assets: Represent amounts restricted by donors and grantors for specific activities of HLAA or to be used at some future date.

Permanently restricted net assets: Contain donor-imposed restrictions that stipulate that the resources are to be maintained permanently.

Revenue Recognition

Revenue and membership dues received before they are earned are recorded as deferred revenue.

Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets at their fair value. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities 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 received in-kind contributions valued at \$35,000 in 2013.

Additionally, a number of volunteers have contributed significant amounts of time to the activities of HLAA 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.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Allowance for Doubtful Accounts

HLAA maintains an allowance for doubtful accounts for estimated losses that may result from the inability of advertisers or others to make payments. Such allowance is based on several factors, including, but not limited to, historical experience and the financial condition of the payee. As of August 31, 2013, HLAA had an allowance for doubtful accounts of \$21,080.

Expense Allocation

Expenses in the statements of activities are presented by functional classification. Those expenses not attributable directly to program services or supporting services are allocated based on the direct labor of personnel charged throughout the year. Supporting services consist of general management and administration and fundraising.

Subsequent Events Review

Subsequent events have been evaluated through October 30, 2014, 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.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 3 RESTATEMENT

HLAA's net assets as of August 31, 2012 have been adjusted resulting in a net increase of \$224,852. Adjustments were recorded to reflect the proper revenue recognition for contributions from the local Chapters and other affiliated organizations in connection with HLAA Walk 4 Hearing events and had the impact of increasing net assets by \$321,729. In addition, an adjustment of \$96,877 was made to correct the financial reporting of unearned membership dues as of August 31, 2012 and had the impact of decreasing unrestricted net assets by a corresponding amount. The adjustments to net assets as of August 31, 2012 resulted in the follows:

	<u>Unrestricted</u>
Net assets, August 31, 2012, as previously reported	\$ 853,283
Net adjustment amount	224,852
Net assets, August 31, 2012 (Restated)	<u><u>\$ 1,078,135</u></u>

The impact of these adjustments on the change in net assets for the fiscal year ended August 31, 2012 has not been determined.

NOTE 4 INVESTMENTS

Investments at August 31, 2013 consisted of the following:

Domestic common stocks	\$ 105,950
Domestic mutual funds - equity	16,108
Domestic mutual fund - fixed income	66,548
Certificates of deposit	704,694
Variable annuity contracts	7,703
Total	<u><u>\$ 901,003</u></u>

Investment income for the year ended August 31, 2013 is as follows:

Interest	\$ 3,702
Dividends	2,204
Net appreciation in fair value of investments	<u>28,484</u>
Total investment income	<u><u>\$ 34,390</u></u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 4 INVESTMENTS *(continued)*

Common Stock

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 fair value of the stock as of August 31, 2013 of \$105,876 has been recorded as permanently restricted net assets.

Pooled Income Fund

The Pooled Income Fund is comprised of donated mutual funds pursuant to a split interest agreement with the donors. The mutual funds are designated to provide long-range support for HLAA. These investments revert to HLAA at the death of the donors. The investment income from the mutual funds is a source of income for the donors. As of August 31, 2013, HLAA owed the donors and his or her beneficiaries \$12,338.

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 variable annuity contracts have been recorded as an asset at fair value in the accompanying financial statements. An estimated liability for payments to the annuitants has also been recorded as a liability in the accompanying financial statements.

For assets and liabilities measured at fair value on a recurring basis, generally accepted accounting principles require quantitative disclosures about fair value measurements separately for each major category of assets and liabilities. Accounting standards further clarify the definition of fair value for financial reporting, establishes a hierarchal disclosure framework for measuring fair value and require additional disclosures about the use of fair value measurements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 4 INVESTMENTS (continued)

The three levels of fair value 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 measurements may include inputs used in valuing portfolio investment, based on quoted market prices for similar securities.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect 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 August 31, 2013:

<u>Description</u>	<u>Total Investments at 8/31/13</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	\$ 105,950	\$ 105,950	\$ -	\$ -
Mutual funds	82,656	82,656	-	-
Certificates of deposit	704,694		704,694	
Variable annuity insurance contracts	<u>7,703</u>	<u>-</u>	<u>-</u>	<u>7,703</u>
	<u>\$ 901,003</u>	<u>\$ 188,606</u>	<u>\$ 704,694</u>	<u>\$ 7,703</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 4 INVESTMENTS *(continued)*

Changes in Level 3 Category

Beginning balance – 09/01/2012	\$ 18,394
Sales	(11,497)
Purchases	-
Unrealized gains/(losses)	806
Interest	-
Settlements	-
Realized gains/(losses)	-
Ending balance – 08/31/2013	<u><u>\$ 7,703</u></u>

Unrealized gain reported above of the variable annuity insurance contracts held at August 31, 2013 is included in investment income on the accompanying statement of activities.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2013 consisted of the following:

	2013
Equipment	\$ 357,468
Furniture and fixtures	18,266
Leasehold improvements	6,050
	<u>\$ 381,784</u>
<i>Less: Accumulated depreciation</i>	<u>(369,491)</u>
Total	<u><u>\$ 12,293</u></u>

NOTE 6 DEFERRED REVENUE

Deferred revenue at August 31, 2013 consists of the following:

Journal advertising	\$ 19,350
Memberships	112,693
Walk	93,250
Total	<u><u>\$ 225,293</u></u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 7 **RESTRICTIONS ON NET ASSETS**

HLAA's investment funds consist of 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 Board 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, and (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. The remaining portion of donor-restricted funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, unless otherwise restricted by the donor, until those amounts are appropriated for expenditure by HLAA in a manner consistent with the standard of prudence prescribed by UPMIFA.

HLAA manages its endowments with a focus on the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment, absent explicit donor stipulations to the contrary. 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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 7 RESTRICTIONS ON NET ASSETS *(continued)*

Permanent Restrictions

As part of the 'Rocky and Ahme 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 and Ahme Stone Fund' are recorded as temporarily restricted for the funding of HLAA convention scholarship aid.

As part of the 'Victor and Teru Matsui 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 'Victor and Teru Matsui Fund are recorded as temporarily restricted for the funding of chapter-related matters until appropriated for spending by the Board of Trustees.

HLAA received a gift of shares of Archer Daniels Midland Company (ADM) which must be held in perpetuity. Dividends 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 permanently restricted contributions as part of the 'Rocky and Ahme Stone Fund' whose income is temporarily restricted to the funding of HLAA convention scholarship aid. In addition, HLAA has received, and will continue to receive contributions as part of the 'Victor and Teru Matsui Fund' whose income is currently temporarily restricted to the funding of chapter-related matters.

In many cases, the earnings on the investment of temporarily restricted funds, such as the pooled funds, are not similarly restricted.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 7 RESTRICTIONS ON NET ASSETS *(continued)*

Temporary Restrictions *(continued)*

As of August 31, 2013, temporarily and permanently restricted net assets balances consisted for the following:

<u>Description</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donated funds (Pooled Income)	\$ 82,654	\$ -	\$ 82,654
Chapter Leadership Training	32,250	-	32,250
Publications (Walk Video)	2,000	-	2,000
International Loop Conference	10,285	-	10,285
CEA HAT Training	4,805	-	4,805
Magazine (DVD)	7,675	-	7,675
Loop Initiative	48,182	-	48,182
Chapters (Orange County #1)	917	-	917
Chapters (Orange County #2)	7,067	-	7,067
Chapters (Orange County #3)	6,065	-	6,065
Endowment (ADM Shares)	-	105,876	105,876
Victor and Teru Matsui Fund	107	12,705	12,812
Rocky and Ahme Stone Endowment Fund	-	108,349	108,349
	<u>\$ 202,007</u>	<u>\$ 226,930</u>	<u>\$ 428,937</u>

Certain amounts, referenced above, are not associated with a specific program, but are donations, either temporarily or permanently restricted, but whose earnings is unrestricted for use by HLAA.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 7 RESTRICTIONS ON NET ASSETS *(continued)*

Endowment assets

The following table summarizes the activity in the endowment assets for 2013 and allocated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net endowment assets, beginning of fiscal year	\$ 611,885	\$ -	\$ 196,674	\$ 808,559
Contributions received	87,441	-	4,817	92,258
Investment income	-	2,144	-	2,144
Net appreciation	-	-	25,439	25,439
Total investment returns	-	2,144	30,256	928,400
Appropriation of expenditures	-	(2,144)	-	(2,144)
Net endowment, end of fiscal year	\$ 699,326	\$ -	\$ 226,930	\$ 926,256

At August 31, 2013 the endowment fund composition by net asset classification consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Fund	\$ 87,441	\$ -	\$ 226,930	\$ 314,371
Board Reserve Fund	611,885	-	-	611,885
	\$ 699,326	\$ -	\$ 226,930	\$ 926,256

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 8 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 HLAA.

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.

Unrestricted net assets for 2013 are allocated as follows:

	<u>Operations</u>	<u>Board-Reserved</u>	<u>Total</u>
Unrestricted net assets, September 1, 2012 (Restated)	\$ 466,250	\$ 611,885	\$1,078,135
<i>Activity during the fiscal year</i>			
Excess of operating expenses over income	(290,740)	-	(290,740)
Investment income	7,604	-	7,604
Released from temporarily restricted net assets	254,089	-	254,089
Bequests (<i>Less</i> : ED search costs)	-	87,441	87,441
Total activity for year ended August 31, 2013	<u>(20,347)</u>	<u>87,441</u>	<u>67,094</u>
Unrestricted net assets, August 31, 2013	<u>\$ 437,203</u>	<u>\$ 699,326</u>	<u>\$1,136,529</u>

NOTE 9 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 participant's contributions. Employer contributions to the plan were \$12,164 for the year ended August 31, 2013.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 10 COMMITMENTS

Operating Leases

HLAA is obligated under a noncancellable operating lease for office space at its headquarters. The lease contained rent abatements, build-out incentives and fixed increase in the annual rental amount. Generally accepted accounting principles require that when lease agreements contain rent abatements and fixed increases in the annual rental amount the total rental payments on the lease be recognized using the straight-line method over the life of the lease. HLAA has reported the difference between the cash paid for rent and the straight-line rental expense as deferred rent liability in the accompanying statement of financial position. Future minimum rent payments at August 31, 2013 are as follows:

<u>Year Ending August 31</u>	<u>Amount</u>
2014	\$ 133,149
2015	138,475
2016	144,014
2017	149,774
2018	155,765
Thereafter	<u>301,463</u>
Total	<u>\$ 1,022,641</u>

Rent expense was \$138,184 for the year ended August 31, 2013.

NOTE 11 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 fiscal year ended August 31, 2013 HLAA paid income taxes of \$7,986 for unrelated business income in connection with their magazine advertising activities.

Management has analyzed the tax position taken and has concluded that as of August 31, 2013, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

In general, the tax years for 2010 and beyond remain open under the statute of limitation and are subject to examination.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

Notes to Financial Statements

August 31, 2013

NOTE 12 CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments, which potentially subject HLAA to concentration of credit and market risk, primarily include cash and cash equivalents and investments, which are carried at fair value. Cash and cash equivalents are maintained within one banking institutions. During the year, the balances in this institution exceeded the Federal Deposit Insurance Corporation insurance level. Generally, these deposits may be redeemed upon demand, therefore, bear minimal risk.

NOTE 13 RELATED PARTIES

HLAA has State organizations and Chapters that reach people with hearing loss through its network. These Chapters are administered by volunteers that perform events and conduct meetings that fulfill the HLAA mission in their local areas. HLAA provide strategies and support that are modeled after HLAA's self-help philosophy.

During fiscal year 2013, HLAA entered into agreements with certain local Chapters and affiliates to conduct local Walks 4 Hearing fundraising events in numerous cities across the country. As part of these agreements, HLAA and the local Chapters and affiliates shared in the donations raised from the Walks in accordance with the agreement with each entity receiving 50% of the funds raised. As of August 31, 2013, HLAA share from these Walks totaled \$769,280 with a corresponding receivable of \$284,947. In addition, HLAA incurred expenses in providing assistance to the Walks through the use of its website and the disbursement of promotional material and event coordination with the local Chapters and affiliates for which no amounts were charged.