

HEARING LOSS ASSOCIATION OF AMERICA, INC.

FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with Summarized Comparative Information for August 31, 2015)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Hearing Loss Association of America (a nonprofit organization)(the Association), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expenses, and cash flows 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Association's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Renner & Company, CPA, PC

Alexandria, Virginia
February 10, 2017

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2016 (with comparative information as of August 31, 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 296,156	\$ 306,548
Accounts receivable	88,944	95,491
Prepaid expenses	<u>25,681</u>	<u>35,728</u>
TOTAL CURRENT ASSETS	<u>410,781</u>	<u>437,767</u>
PROPERTY, at cost, net	<u>42,507</u>	<u>55,472</u>
OTHER ASSETS		
Investments	1,320,199	1,267,110
Other investments	31,473	26,750
Security deposit	<u>325</u>	<u>3,325</u>
TOTAL OTHER ASSETS	<u>1,351,997</u>	<u>1,297,185</u>
TOTAL ASSETS	<u><u>\$ 1,805,285</u></u>	<u><u>\$ 1,790,424</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 314,708	\$ 178,397
Deferred revenue	128,512	193,170
Deferred rent	8,600	2,840
Capital lease liability	<u>8,988</u>	<u>8,854</u>
TOTAL CURRENT LIABILITIES	<u>460,808</u>	<u>383,261</u>
OTHER LIABILITIES		
Deferred rent, net of current portion	57,236	65,836
Capital lease liability, net of current portion	<u>27,001</u>	<u>35,989</u>
TOTAL OTHER LIABILITIES	<u>84,237</u>	<u>101,825</u>
TOTAL LIABILITIES	<u>545,045</u>	<u>485,086</u>
NET ASSETS		
Unrestricted	867,392	712,458
Temporarily restricted	122,546	325,411
Permanently restricted	<u>270,302</u>	<u>267,469</u>
TOTAL NET ASSETS	<u>1,260,240</u>	<u>1,305,338</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,805,285</u></u>	<u><u>\$ 1,790,424</u></u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES

Year ended August 31, 2016

(with summarized comparative information for the year ended August 31, 2015)

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUE					
Contributions	\$ 934,675	\$ 62,573	\$ 7,032	\$ 1,004,280	\$ 1,035,235
Walk4Hearing	620,679	-	-	620,679	585,118
Conferences, meetings, and seminars	346,077	-	-	346,077	251,153
Publication and advertising	167,133	-	-	167,133	196,255
Membership dues	159,098	-	-	159,098	167,088
Investment income (loss)	63,436	1,638	(3,699)	61,375	(82,565)
Grants and contracts	50,954	-	-	50,954	32,065
Other	2,291	-	-	2,291	29,538
Consulting income	-	-	-	-	5,000
Net assets released from restrictions:					
Satisfaction of purpose restrictions	267,576	(267,076)	(500)	-	-
TOTAL SUPPORT AND REVENUE	2,611,919	(202,865)	2,833	2,411,887	2,218,887
EXPENSES					
Program	1,644,352	-	-	1,644,352	1,365,686
Management and general	221,863	-	-	221,863	474,242
Fundraising	590,770	-	-	590,770	656,401
TOTAL EXPENSES	2,456,985	-	-	2,456,985	2,496,329
CHANGE IN NET ASSETS	154,934	(202,865)	2,833	(45,098)	(277,442)
NET ASSETS, beginning of year	712,458	325,411	267,469	1,305,338	1,582,780
NET ASSETS, end of year	\$ 867,392	\$ 122,546	\$ 270,302	\$ 1,260,240	\$ 1,305,338

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES
Year Ended August 31, 2016

	PROGRAM SERVICES									
	Convention	Chapters, State Organizations, Members	Web, Magazine, Publication	Advocacy	RERC/HAT Training	Academy	LOOPS	Walk4Hearing Call to Action	Others	Program Total
Salaries	\$ 73,226	\$ 180,768	\$ 63,757	\$ 58,341	\$ 28,743	\$ 2,141	\$ 26,628	\$ 23,957	\$ 63,425	\$ 520,986
Employer payroll tax	6,074	15,060	5,361	4,777	2,352	174	2,176	2,008	5,036	43,018
Health insurance	6,345	15,705	5,942	5,135	2,087	284	1,838	2,033	5,848	45,217
Life/LTD insurance	964	2,491	966	684	289	34	282	336	701	6,747
Employer 403b contributions	1,250	3,074	1,137	978	487	52	363	409	1,129	8,879
Other employee benefits	14	41	12	10	1	1	4	18	18	119
Consulting	5,816	15,429	11,579	4,820	1,096	340	19,509	5,758	7,440	71,778
Awards	219	1,655	-	-	-	-	-	111	-	1,985
Bank and credit card fees	3,388	7,757	2,935	2,889	1,622	242	-	2,655	40	21,528
Board-related	1,332	3,410	1,971	845	117	72	-	506	-	8,253
Captioning/signing	28,636	2,797	687	534	2,230	41	285	243	-	35,453
Chapter membership rebates	-	9,135	-	-	-	-	-	-	-	9,135
Commissions	22,329	-	29,839	-	-	-	-	-	-	52,168
Blackbaud/software	485	1,078	431	339	265	27	-	7,961	-	10,586
Decorations	7,062	-	-	-	-	-	-	20	-	7,082
Depreciation	387	960	437	309	106	26	-	129	-	2,354
Design and typesetting	390	1,386	23,630	39	3	2	130	294	-	25,874
Donor recognition	-	-	-	-	-	-	-	-	-	-
Dues and subscriptions	1,910	569	246	770	42	13	-	71	2,000	5,621
Equipment rentals	56,223	2,003	880	651	5,468	54	-	367	-	65,646
Event-related	300,599	-	-	-	3,856	-	-	440	-	304,895
General insurance	379	971	561	241	33	21	-	144	-	2,350
In-Kind	10,000	-	-	-	-	-	-	-	-	10,000
Interest	-	-	-	-	-	-	-	-	-	-
IT	-	-	-	-	-	-	-	-	-	-
Legal and accounting	1,480	4,547	1,543	1,180	130	80	-	511	-	9,471
Miscellaneous	-	1,752	-	-	-	-	-	264	-	2,016
Miscellaneous licenses/taxes	647	4,096	469	538	319	50	-	162	-	6,281
Office rent	13,464	31,725	13,141	9,869	3,666	1,103	-	4,565	-	77,533
Payroll services	179	488	197	141	39	11	-	60	-	1,115
Postage/shipping/courier	1,564	7,087	13,375	1,161	591	88	293	1,178	-	25,337
Printing/paper/envelopes	18,547	11,573	48,773	1,306	735	113	1,745	12,035	-	94,827
Public relations/promotional	4,374	2,217	3,402	602	15	7	4,500	3,597	-	18,714
Repairs and maintenance	3,919	9,802	7,989	3,022	1,001	234	-	1,318	-	27,285
Scholarships - Convention	8,656	-	-	-	-	-	-	-	-	8,656
Small office equipment/software	2,103	11,545	-	-	-	-	-	-	-	13,648
Staff training and recruitment	-	-	-	-	-	-	-	23	67	90
State coordinator	-	283	-	-	-	-	-	-	-	283
Storage	218	523	164	216	103	17	-	59	-	1,300
Supplies	25,744	1,728	1,174	318	404	16	540	2,087	-	32,011
Telephone	949	1,369	891	483	154	37	-	591	-	4,474
Travel, meals, and lodging	24,187	6,991	26	934	587	-	17,599	4,488	-	54,812
UBIT	-	-	-	-	-	-	-	-	-	-
Volunteer recognition	42	115	34	39	6	2	-	11	-	249
Walk program	-	-	-	-	-	-	-	-	-	-
Web hosting	-	-	6,034	-	-	-	325	-	217	6,576
Total	\$ 633,101	\$ 360,130	\$ 247,583	\$ 101,171	\$ 56,547	\$ 5,282	\$ 76,208	\$ 78,409	\$ 85,921	\$ 1,644,352

See Notes to Financial Statements

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2016

	Program Total	General & Administrative	Fundraising			Total
			Walk4Hearing	Development	Total Fundraising	
Salaries	\$ 520,986	\$ 94,460	\$ 109,138	\$ 133,905	\$ 243,043	\$ 858,489
Employer payroll tax	43,018	7,886	9,148	11,014	20,162	71,066
Health insurance	45,217	7,368	9,264	11,479	20,743	73,328
Life/LTD insurance	6,747	1,155	1,532	1,493	3,025	10,927
Employer 403b contributions	8,879	5,343	1,863	2,163	4,026	18,248
Other employee benefits	119	32	81	18	99	250
Consulting	71,778	11,543	26,233	8,823	35,056	118,377
Awards	1,985	717	503	-	503	3,205
Bank and credit card fees	21,528	6,483	12,096	6,061	18,157	46,168
Board-related	8,253	14,510	2,307	1,295	3,602	26,365
Captioning/signing	35,453	2,008	1,109	961	2,070	39,531
Chapter membership rebates	9,135	-	-	-	-	9,135
Commissions	52,168	8,268	-	3	3	60,439
Blackbaud/software	10,586	855	36,267	980	37,247	48,688
Decorations	7,082	43	93	-	93	7,218
Depreciation	2,354	9,482	586	543	1,129	12,965
Design and typesetting	25,874	1,349	1,342	77	1,419	28,642
Donor recognition	-	-	-	11	11	11
Dues and subscriptions	5,621	421	323	277	600	6,642
Equipment rentals	65,646	-	1,672	1,154	2,826	68,472
Event-related	304,895	-	2,003	-	2,003	306,898
General insurance	2,350	294	657	366	1,023	3,667
In-kind	10,000	155	-	-	-	10,155
Interest	-	1,002	-	-	-	1,002
IT expenses	-	1,657	-	-	-	1,657
Legal and accounting	9,471	1,993	2,330	2,157	4,487	15,951
Miscellaneous	2,016	-	1,203	213	1,416	3,432
Miscellaneous licenses/taxes	6,281	(5,359)	740	1,012	1,752	2,674
Office Rent	77,533	18,953	20,795	22,616	43,411	139,897
Payroll services	1,115	1,367	276	252	528	3,010
Postage/shipping/courier	25,337	1,107	5,366	7,235	12,601	39,045
Printing/paper/envelopes	94,827	2,664	54,825	9,277	64,102	161,593
Public relations/promotional	18,714	1,527	16,389	1,044	17,433	37,674
Repairs and maintenance	27,285	5,534	6,006	5,809	11,815	44,634
Scholarships - Convention	8,656	-	-	-	-	8,656
Small office equipment/software	13,648	4,474	-	-	-	18,122
Staff training and recruitment	90	1,764	102	37	139	1,993
State coordinator	283	-	-	-	-	283
Storage	1,300	1,707	269	414	683	3,690
Supplies	32,011	2,399	9,509	494	10,003	44,413
Telephone	4,474	5,183	2,691	889	3,580	13,237
Travel, meals, and lodging	54,812	2,608	20,445	1,406	21,851	79,271
UBIT	-	781	-	-	-	781
Volunteer recognition	249	40	51	78	129	418
Walk program	-	-	-	-	-	-
Web hosting	6,576	90	-	-	-	6,666
Total	\$ 1,644,352	\$ 221,863	\$ 357,214	\$ 233,556	\$ 590,770	\$ 2,456,985

See Notes to Financial Statements

HEARING LOSS ASSOCIATION OF AMERICA, INC.**STATEMENT OF CASH FLOWS****Year ended August 31, 2016****(with comparative information for the year ended August 31, 2015)**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Revenue	\$ 2,279,496	\$ 2,329,828
Investment income	32,085	7,023
	<u>2,311,581</u>	<u>2,336,851</u>
Cash disbursed by operations		
Payments to employees and suppliers	2,298,719	2,413,792
Interest paid	1,002	701
Income taxes paid	781	-
	<u>2,300,502</u>	<u>2,414,493</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>11,079</u>	<u>(77,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	999,219	1,975,087
Purchase of investments	<u>(1,011,836)</u>	<u>(2,098,242)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(12,617)</u>	<u>(123,155)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on capital lease	<u>(8,854)</u>	<u>(731)</u>
NET DECREASE IN CASH	(10,392)	(201,528)
CASH, beginning of year	<u>306,548</u>	<u>508,076</u>
CASH, end of year	<u>\$ 296,156</u>	<u>\$ 306,548</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unrealized (gain) loss in market value of investments	\$ (47,481)	\$ 89,588
Increase (decrease) in investment value	47,481	(89,588)
Capital lease obligation	-	45,574
Purchase of equipment under capital lease	-	(45,574)
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS

Year ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ (45,098)</u>	<u>\$ (277,442)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation	12,965	12,106
Non-cash occupancy costs	(2,840)	2,698
Unrealized and realized (gain) loss on investments	(40,472)	89,588
Increase in cash surrender value of life insurance (other investments)	<u>(4,723)</u>	<u>-</u>
NET ADJUSTMENTS	<u>(35,070)</u>	<u>104,392</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Accounts receivable	6,547	61,653
Prepaid expenses	10,047	13,901
Security deposits	<u>3,000</u>	<u>(3,000)</u>
	<u>19,594</u>	<u>72,554</u>
LIABILITIES		
Accounts payable and accrued expenses	136,311	56,131
Deferred revenue	<u>(64,658)</u>	<u>(33,277)</u>
	<u>71,653</u>	<u>22,854</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>91,247</u>	<u>95,408</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 11,079</u></u>	<u><u>\$ (77,642)</u></u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hearing Loss Association of America, Inc. (HLAA), formerly Self Help for Hard of Hearing People, Inc. is a Maryland nonprofit 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 include advocacy and promotional material, fundraising and other services as provided under related arrangements.

Basis of Accounting

HLAA prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

HLAA considers certificates of deposits and highly liquid investments with an initial maturity of three months or less, when purchased, to be cash equivalents. As of August 31, 2016 and 2015, cash consists of two checking accounts and a money market account. As of August 31, 2016 and 2015, there were no cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. 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, 2016 and 2015, HLAA did not have a balance in the allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Property

HLAA has adopted a capitalization policy to capitalize all purchases greater than \$1,500 that meet the criteria for capitalization. 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.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

1. ORGANIZATION AND 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 certificates of deposits are carried at cost, 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, which are 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 and losses being retained in permanently restricted net assets.

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, 2016 and 2015 is \$131,586 and \$135,285, respectively, and 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 treated as donor-restricted net assets to provide long-range support for HLAA. These investments revert to HLAA at the death of the donors.

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.

Fair Value Measurements

HLAA applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value on the financial statements on a recurring basis.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Investments

Other investments represent 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 their cash surrender value and classified as other assets in the accompanying financial statements.

Deferred Rent

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.

Classification of Net Assets

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 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.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

HLAA at times receives services and/or supplies donated from vendors and suppliers that contract services with HLAA. As of August 31, 2016 and 2015, HLAA received donated services for the convention valued at \$10,155 and \$0, respectively.

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.

Functional Allocation of Expenses

Expenses in the statement 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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made in the 2015 financial statement presentation to conform to the classifications used in the 2016 financial statements.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should read in conjunction with HLAA's financial statements for the year ended August 31, 2015, from which the summarized information was derived.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

2. CASH

Cash at August 31, 2016 and 2015 consisted of the following:

	2016	2015
Checking	\$ 153,625	\$ 164,339
Business money market	142,531	142,098
Petty cash	-	111
	<u>\$ 296,156</u>	<u>\$ 306,548</u>

The checking and money market accounts are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protector Corporation, respectively, up to \$250,000. HLAA did not have any uninsured funds in its bank accounts as of August 31, 2016 and 2015, respectively.

3. PROPERTY

A summary of information relative to property and depreciation for the years ended August 31, 2016 and 2015 is as follows:

	2016				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 15,751	\$ -	\$ 15,751	\$ -	3
Office equipment	347,625	3,850	340,817	6,808	3-5
Leasehold improvement	6,050	-	6,050	-	12
Equipment under capital lease	45,574	9,115	9,875	35,699	5
	<u>\$ 415,000</u>	<u>\$ 12,965</u>	<u>\$ 372,493</u>	<u>\$ 42,507</u>	
	2015				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 15,751	\$ -	\$ 15,751	\$ -	3
Office equipment	347,625	59,796	336,967	10,658	3-5
Leasehold improvement	6,050	-	6,050	-	12
Equipment under capital lease	45,574	760	760	44,814	5
	<u>\$ 415,000</u>	<u>\$ 60,556</u>	<u>\$ 359,528</u>	<u>\$ 55,472</u>	

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

4. INVESTMENTS

In accordance with the accounting standards for fair value measurements for those assets and liabilities which are measured at fair value on a recurring basis, HLAA has categorized its applicable financial instruments into a required three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that HLAA has the ability to access.

Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

4. INVESTMENTS (CONTINUED)

The following is a summary of the inputs used to value the investments as of August 31, 2016 and 2015:

	2016			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 40,810	\$ 40,810	\$ -	\$ -
Common stocks				
Basic materials	1,224	1,224	-	-
Consumer goods	131,586	131,586	-	-
Mutual funds				-
High yield bond	51,412	51,412	-	-
Large blend	256,527	256,527	-	-
Large growth	16,670	16,670	-	-
Intermediate term bond	195,781	195,781	-	-
Inflation-projected bond	51,038	51,038	-	-
Mid-cap blend	51,380	51,380	-	-
Short-term bond	76,418	76,418	-	-
Small blend	51,606	51,606	-	-
Diversified emerging markets	102,658	102,658	-	-
Foreign large growth	177,059	177,059	-	-
Certificates of deposit	107,264	-	107,264	-
Variable annuity insurance contracts	8,766	-	-	8,766
	<u>\$ 1,320,199</u>	<u>\$ 1,204,169</u>	<u>\$ 107,264</u>	<u>\$ 8,766</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

4. INVESTMENTS (CONTINUED)

	2015			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 42,917	\$ 42,917	\$ -	\$ -
Common stocks				
Basic materials	11,709	11,709	-	-
Consumer goods	153,538	153,538	-	-
Financial	16,786	16,786	-	-
Healthcare	11,086	11,086	-	-
Industrial goods	5,097	5,097	-	-
Services	7,181	7,181	-	-
Technology	19,896	19,896	-	-
Mutual funds				
Large Growth	86,483	86,483	-	-
Intermediate term bond	91,431	91,431	-	-
Moderate allocation	94,926	94,926	-	-
Nontraditional Bond	64,839	64,839	-	-
Mid-cap value	90,825	90,825	-	-
Small blend	45,061	45,061	-	-
Foreign small/mid value	42,486	42,486	-	-
Diversified emerging markets	41,688	41,688	-	-
Foreign large growth	91,262	91,262	-	-
Tactical allocation	92,243	92,243	-	-
World bond	47,456	47,456	-	-
World allocation	94,039	94,039	-	-
Certificates of deposit	106,986	-	106,986	-
Variable annuity				
insurance contracts	9,175	-	-	9,175
	<u>\$ 1,267,110</u>	<u>\$ 1,150,949</u>	<u>\$ 106,986</u>	<u>\$ 9,175</u>

	2016	2015
Changes in Level 3 Category		
Beginning balance	\$ 9,175	\$ 8,865
Unrealized (losses)/gains	(409)	310
Ending balance	<u>\$ 8,766</u>	<u>\$ 9,175</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

4. INVESTMENTS (CONTINUED)

Investment income (loss) for the year ended August 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Interest	\$ 666	\$ 2,090
Dividends	31,419	5,771
Unrealized and realized gain/(loss)	40,472	(89,588)
Management fee	<u>(11,182)</u>	<u>(838)</u>
	<u>\$ 61,375</u>	<u>\$ (82,565)</u>

Unrealized gain reported above of the variable annuity insurance contracts held at August 31, 2016 and 2015 is included in investment income on the accompanying statement of activities.

5. DEFERRED REVENUE

Deferred revenue at August 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Membership	\$ 128,512	\$ 119,649
Corporate sponsor	<u>-</u>	<u>73,521</u>
	<u>\$ 128,512</u>	<u>\$ 193,170</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

6. RESTRICTIONS OF 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.

Absent explicit donor stipulations to the contrary, HLAA has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, HLAA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 those amounts are appropriated for expenditure by HLAA in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, HLAA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of HLAA, and (7) HLAA's investment policies.

HLAA has adopted investment and spending policies, approved by HLAA's board, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes mutual funds. HLAA expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

6. RESTRICTIONS OF 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 permanently restricted.

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. Cash dividends on the ADM shares are unrestricted net assets, and can be used by HLAA without permanent or temporary restriction. Dividends in stock each year are to be retained as stock.

As of August 31, 2016 and 2015, permanently restricted net asset balances consisted of the following:

	2016			Balance August 31, 2016
	Balance September 1, 2015	Interest/ Investment Income	Releases	
Endowment - ADM Shares	\$ 135,285	\$ (3,699)	\$ -	\$ 131,586
Victor and Teru Matsui Fund	12,705	-	-	12,705
Rocky and Ahme Stone Endowment Fund	119,479	7,032	(500)	126,011
	<u>\$ 267,469</u>	<u>\$ 3,333</u>	<u>\$ (500)</u>	<u>\$ 270,302</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

6. RESTRICTIONS OF NET ASSETS (CONTINUED)

Permanent Restrictions (Continued)

	2015			Balance August 31, 2015
	Balance September 1, 2014	Interest/ Investment Income	Releases	
Endowment - ADM Shares	\$ 149,930	\$ (14,645)	\$ -	\$ 135,285
Victor and Teru Matsui Fund	12,705	-	-	12,705
Rocky and Ahme Stone Endowment Fund	113,515	5,964	-	119,479
	<u>\$ 276,150</u>	<u>\$ (8,681)</u>	<u>\$ -</u>	<u>\$ 267,469</u>

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.

As of August 31, 2016 and 2015, temporarily restricted net asset balances consisted of the following:

	2016			Balance August 31, 2016
	Balance September 1, 2015	Additions	Releases	
Pooled income fund	\$ 90,613	\$ 4,210	\$ -	\$ 94,823
Wallhagen restricted gift	-	10,000	(1,992)	8,008
Hearing loop campaign	144,104	-	(124,389)	19,715
Consumer technology initiative	90,694	50,000	(140,694)	-
	<u>\$ 325,411</u>	<u>\$ 64,210</u>	<u>\$ (267,075)</u>	<u>\$ 122,546</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

6. RESTRICTIONS OF NET ASSETS (CONTINUED)

Temporary Restrictions (Continued)

	2015			Balance August 31, 2015
	Balance September 1, 2014	Additions	Releases	
Pooled income fund	\$ 89,353	\$ 1,260	\$ -	\$ 90,613
Hearing loop campaign	47,908	152,894	(56,698)	144,104
Consumer technology initiative	192,602	59,700	(161,608)	90,694
	<u>\$ 329,863</u>	<u>\$ 213,854</u>	<u>\$ (218,306)</u>	<u>\$ 325,411</u>

7. UNRESTRICTED NET ASSETS

The Board of Trustees of HLAA has adopted an accounting and financial reporting policy for unrestricted net assets that defines unrestricted net assets as either operating or board reserved.

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 fiscal year 2016 and 2015 are allocated as follows:

	2016		
	Operations	Board Reserved	Total
Unrestricted net assets, September 1, 2015	\$ (28,998)	\$ 741,456	\$ 712,458
Activities during the fiscal year			
Bequests	-	54,544	54,544
Investment income (loss)	63,436	-	63,436
Website and development	-	50,000	50,000
Release from temporarily restricted net assets	267,076	-	267,076
Excess of expenses over income	(280,122)	-	(280,122)
Unrestricted net assets, August 31, 2016	<u>\$ 21,392</u>	<u>\$ 846,000</u>	<u>\$ 867,392</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

7. UNRESTRICTED NET ASSETS (CONTINUED)

	2015		
	Operations	Board Reserved	Total
Unrestricted net assets, September 1, 2014	\$ 240,311	\$ 736,456	\$ 976,767
Activities during the fiscal year			
Bequests	-	5,000	5,000
Investment income	(69,180)	-	(69,180)
Release from temporarily restricted net assets	218,306	-	218,306
Excess of expenses over income	<u>(418,435)</u>	<u>-</u>	<u>(418,435)</u>
Unrestricted net assets, August 31, 2015	<u>\$ (28,998)</u>	<u>\$ 741,456</u>	<u>\$ 712,458</u>

8. DEFINED CONTRIBUTION PLAN

HLAA maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. HLAA contributed up to 5% on behalf of the eligible participants' contributions. Employer contributions to the plan were \$18,248 and \$12,817 for the years ended August 31, 2016 and 2015, respectively.

9. INCOME TAXES

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 years ended August 31, 2016 and 2015, HLAA paid income taxes of \$781 and \$2,730 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, 2016, 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.

10. 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 provides strategies and support that are modeled after HLAA's self-help philosophy.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

10. RELATED PARTIES (CONTINUED)

During fiscal year 2016, HLAA had 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, 2016, HLAA's share of from these Walks totaled \$482,438 with a corresponding receivable of \$79,889 and payable of \$75,061. 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.

11. JOINT COST ALLOCATION

HLAA incurred joint costs for informational materials and activities that included fundraising appeals and a call to action during its walks. These joint costs were allocated as follows:

Fundraising	\$ 357,214
Program	<u>78,409</u>
	<u>\$ 435,623</u>

12. COMMITMENTS

Office Lease

HLAA is obligated under a noncancellable operating lease for office space at its headquarters. The lease contained rent abatements, build-out incentives and fixed increases 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 lease payments required under the lease are as follows as of August 31, 2016:

Year ending August 31,	
2017	\$ 149,774
2018	155,765
2019	161,996
2020	<u>139,467</u>
	<u>\$ 607,002</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

(with comparative information for the year ended August 31, 2015)

12. COMMITMENTS (CONTINUED)

Office Lease (Continued)

Rent expense and storage expense for the years ended August 31, 2016 and 2015 totaled \$141,174 and \$141,394, respectively.

Capital Lease

HLAA has entered into a capital lease agreement for copier equipment at the end of fiscal year 2015. The asset and liability under this capital lease was recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is depreciated over its related lease term. Interest paid during the years ended August 31, 2016 and 2015 was \$614 and \$57, respectively.

Payments under the capital lease are due as follows:

For the fiscal year ending:	Total Payment	Interest Portion	Net
2017	\$ 9,468	\$ 480	\$ 8,988
2018	9,468	344	9,124
2019	9,468	205	9,263
2020	8,679	65	8,614
	<u>\$ 37,083</u>	<u>\$ 1,094</u>	<u>\$ 35,989</u>

Future Meeting Sites

HLAA entered into several agreements for future meeting sites with various hotels. Had HLAA cancelled these contracts as of August 31, 2016, it would have been liable for cancellation fees up to \$469,184.

13. SUBSEQUENT EVENTS

In preparing these financial statements, HLAA has evaluated events and transactions for potential recognition or disclosure through February 10, 2017, the date the financial statements were available to be issued.