

**HEARING LOSS ASSOCIATION OF AMERICA, INC.  
(a nonprofit organization)**

**FINANCIAL STATEMENTS**

**Year Ended August 31, 2020  
with Summarized Comparative Information for the year ended  
August 31, 2019**

## **TABLE OF CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5 - 6
Statement of Cash Flows	7 - 8
Notes to Financial Statements	9 - 24

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Hearing Loss Association of America (the Association), which comprise the statement of financial position as of August 31, 2020, 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 from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of August 31, 2020, 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.

## **Emphasis of Matter - Contingencies**

As noted in Note 13 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to negatively impact the Association's operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

## **Report on Summarized Comparative Information**

We have previously audited the Association's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Renner and Company, COA, P.C.*

Alexandria, Virginia  
January 29, 2021

**HEARING LOSS ASSOCIATION OF AMERICA, INC.**

**STATEMENT OF FINANCIAL POSITION**

**August 31, 2020 (with Comparative Information as of August 31, 2019)**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,371,102	\$ 721,484
Accounts receivable	51,324	94,588
Prepaid expenses	35,682	23,949
<b>TOTAL CURRENT ASSETS</b>	<u>1,458,108</u>	<u>840,021</u>
<b>PROPERTY, at cost, net</b>	<u>79,706</u>	<u>30,056</u>
<b>OTHER ASSETS</b>		
Investments	2,379,666	2,176,866
Security deposit	11,506	2,325
<b>TOTAL OTHER ASSETS</b>	<u>2,391,172</u>	<u>2,179,191</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,928,986</u></u>	<u><u>\$ 3,049,268</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 158,867	\$ 138,745
Paycheck Protection Program loan payable	178,425	-
Deferred revenue	151,964	163,238
Deferred rent	9,582	21,822
Capital lease liability	-	8,614
<b>TOTAL LIABILITIES</b>	<u>498,838</u>	<u>332,419</u>
<b>NET ASSETS</b>		
Without Donor Restriction	3,015,953	2,299,593
With Donor Restriction	414,195	417,256
<b>TOTAL NET ASSETS</b>	<u>3,430,148</u>	<u>2,716,849</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,928,986</u></u>	<u><u>\$ 3,049,268</u></u>

See Notes to Financial Statements.

**HEARING LOSS ASSOCIATION OF AMERICA, INC.****STATEMENT OF ACTIVITIES****Year Ended August 31, 2020 (with Summarized Comparative Information for the year ended August 31, 2019)**

	2020			2019
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,371,098	\$ 47,180	\$ 1,418,278	\$ 1,144,602
Walk4Hearing	410,921	-	410,921	475,542
Investment income	167,694	20,177	187,871	24,202
Advertising	165,362	-	165,362	137,215
Membership dues	135,895	-	135,895	140,810
Grants and contracts	88,300	-	88,300	185,968
Conferences, meetings, and seminars	32,070	-	32,070	243,719
Other	26,220	-	26,220	1,817
Consulting income	2,055	-	2,055	4,508
Net assets released from restrictions:				
Satisfaction of purpose restrictions	70,418	(70,418)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,470,033</b>	<b>(3,061)</b>	<b>2,466,972</b>	<b>2,358,383</b>
<b>EXPENSES</b>				
Program	1,332,579	-	1,332,579	1,847,737
Management and general	154,205	-	154,205	106,544
Fundraising	266,889	-	266,889	135,470
<b>TOTAL EXPENSES</b>	<b>1,753,673</b>	<b>-</b>	<b>1,753,673</b>	<b>2,089,751</b>
<b>CHANGE IN NET ASSETS</b>	<b>716,360</b>	<b>(3,061)</b>	<b>713,299</b>	<b>268,632</b>
<b>NET ASSETS, beginning of year</b>	<b>2,299,593</b>	<b>417,256</b>	<b>2,716,849</b>	<b>2,448,217</b>
<b>NET ASSETS, end of year</b>	<b>\$ 3,015,953</b>	<b>\$ 414,195</b>	<b>\$ 3,430,148</b>	<b>\$ 2,716,849</b>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES

Year Ended August 31, 2020 (with Summarized Comparative Information for the year ended August 31, 2019)

	PROGRAM SERVICES							
	Virtual Experience HLAA	Chapters, State Organizations, Members	Walk4Hearing Awareness	Education	Advocacy	Get in the Hearing Loop	Accessibility and Technology	Program Total
Salaries	\$ 116,559	\$ 211,361	\$ 147,643	\$ 46,624	\$ 101,018	\$ -	\$ -	\$ 623,205
Employer payroll tax	9,669	17,533	12,247	3,868	8,379	-	-	51,696
Health insurance	5,281	9,577	6,690	2,113	4,578	-	-	28,239
Life/LTD insurance	1,499	2,717	1,899	599	1,299	-	-	8,013
Employer 403b contributions	3,547	6,431	4,493	1,419	3,074	-	-	18,964
Consulting	100	2,161	2,543	49,020	-	30,000	8,850	92,674
Awards	-	211	-	-	-	-	-	211
Bank and credit card fees	2,675	8,659	9,859	386	837	-	-	22,416
Blackbaud/software	7,918	26,343	17,907	-	-	-	-	52,168
Board-related	2,032	3,684	2,574	812	1,760	-	-	10,862
Captioning/signing	650	2,983	48	-	825	1,055	285	5,846
Commissions	9,262	-	-	28,659	-	-	-	37,921
Decorations	-	-	-	-	-	-	-	-
Depreciation	2,019	3,660	2,558	808	1,750	-	-	10,795
Design and typesetting services	2,340	1,736	1,608	9,609	-	150	100	15,543
Dues and subscriptions	998	362	453	22	1,116	765	-	3,716
Equipment rentals	9,665	592	740	-	-	-	-	10,997
Event-related	29,510	400	500	-	-	-	-	30,410
General insurance	1,427	2,587	1,808	571	1,237	-	-	7,630
In-kind	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
IT	2,657	4,817	3,365	1,063	2,303	-	-	14,205
Legal and accounting	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Miscellaneous licenses/taxes	-	6,546	-	-	-	-	-	6,546
Office rent	21,176	38,399	26,823	8,470	18,353	-	-	113,221
Payroll services	-	-	-	-	-	-	-	-
Postage/shipping/courier	788	3,029	2,870	12,031	665	111	-	19,494
Printing/paper/envelopes	73	8,954	4,302	34,658	-	4,537	245	52,769
Public relations/promotional	498	9,533	11,917	-	-	-	-	21,948
Repairs and maintenance	-	-	-	-	-	-	-	-
Scholarships-convention	-	-	-	-	-	-	-	-
Small office equipment/software	7,655	7,858	1,274	869	849	-	120	18,625
Staff training & recruitment	-	395	493	-	-	-	-	888
State coordinator	-	-	-	-	-	-	-	-
Storage	-	-	-	-	-	-	-	-
Supplies	-	180	226	-	-	-	-	406
Telephone	400	906	732	610	347	-	-	2,995
Travel, meals, and lodging	2,710	4,948	6,169	-	738	16,969	-	31,534
Unified membership program	-	6,605	-	-	-	-	-	6,605
Volunteer recognition	-	964	1,205	-	-	-	-	2,169
Web hosting	-	238	297	9,333	-	-	-	9,868
Total	\$ 241,108	\$ 394,369	\$ 273,243	\$ 211,544	\$ 149,128	\$ 53,587	\$ 9,600	\$ 1,332,579

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2020 (with Summarized Comparative Information for the year ended August 31, 2019)

	2020						2019	
	Program Total	General and Administrative	Fundraising			Total	Total	Total
			Walk4Hearing	Development	Fundraising			
Salaries	\$ 623,205	\$ 38,853	\$ 29,529	\$ 85,477	\$ 115,006	\$ 777,064	\$ 823,859	
Employer payroll tax	51,696	3,223	2,449	6,996	9,445	64,364	69,531	
Health insurance	28,239	1,762	1,338	3,873	5,211	35,212	52,378	
Life/LTD insurance	8,013	500	380	1,099	1,479	9,992	9,780	
Employer 403b contributions	18,964	1,183	899	2,602	3,501	23,648	26,067	
Consulting	92,674	-	509	67,053	67,562	160,236	39,000	
Awards	211	-	-	-	-	211	1,656	
Bank and credit card fees	22,416	323	1,972	1,058	3,030	25,769	33,230	
Blackbaud/software	52,168	4,756	3,581	7,918	11,499	68,423	68,605	
Board-related	10,862	677	515	1,490	2,005	13,544	20,469	
Captioning/signing	5,846	1,781	10	143	153	7,780	23,919	
Commissions	37,921	-	-	-	-	37,921	42,249	
Decorations	-	-	-	-	-	-	17,503	
Depreciation	10,795	1,239	512	1,481	1,993	14,027	12,944	
Design and typesetting services	15,543	865	322	300	622	17,030	31,800	
Dues and subscriptions	3,716	1,782	91	2,337	2,428	7,926	10,598	
Equipment rentals	10,997	9,360	148	-	148	20,505	73,283	
Event-related	30,410	-	100	-	100	30,510	176,067	
General insurance	7,630	3,930	362	1,046	1,408	12,968	6,315	
In-kind	-	-	-	-	-	-	27,070	
Interest	-	461	-	-	-	461	205	
IT	14,205	886	673	1,949	2,622	17,713	10,893	
Legal and accounting	-	26,771	-	-	-	26,771	16,387	
Miscellaneous	-	77	-	-	-	77	1,912	
Miscellaneous licenses/taxes	6,546	411	-	-	-	6,957	12,475	
Office rent	113,221	7,058	5,365	15,529	20,894	141,173	141,171	
Payroll services	-	3,578	-	-	-	3,578	2,834	
Postage/shipping/courier	19,494	2,816	574	3,099	3,673	25,983	36,556	
Printing/paper/envelopes	52,769	9,082	860	3,851	4,711	66,562	109,995	
Public relations/promotional	21,948	350	2,383	4,644	7,027	29,325	44,326	
Repairs and maintenance	-	300	-	-	-	300	-	
Scholarships-convention	-	-	-	-	-	-	4,077	
Small office equipment/software	18,625	3,899	255	-	255	22,779	13,811	
Staff training and recruitment	888	5,955	99	-	99	6,942	9,277	
State coordinator	-	-	-	-	-	-	1,130	
Storage	-	4,180	-	-	-	4,180	4,560	
Supplies	406	11,960	45	-	45	12,411	14,757	
Telephone	2,995	5,015	146	293	439	8,449	9,004	
Travel, meals, and lodging	31,534	1,172	1,234	-	1,234	33,940	72,622	
Unified membership program	6,605	-	-	-	-	6,605	6,737	
Volunteer recognition	2,169	-	241	-	241	2,410	1,725	
Web hosting	9,868	-	59	-	59	9,927	8,974	
<b>Total</b>	<b>\$ 1,332,579</b>	<b>\$ 154,205</b>	<b>\$ 54,651</b>	<b>\$ 212,238</b>	<b>\$ 266,889</b>	<b>\$ 1,753,673</b>	<b>\$ 2,089,751</b>	

See Notes to Financial Statements.



**HEARING LOSS ASSOCIATION OF AMERICA, INC.****STATEMENT OF CASH FLOWS****Year Ended August 31, 2020 (with Summarized Comparative Information for the year ended August 31, 2019)**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations		
Revenue	\$ 2,311,091	\$ 2,284,247
Investment income	23,717	12,536
	<u>2,334,808</u>	<u>2,296,783</u>
Cash disbursed by operations		
Payments to employees and suppliers	1,752,216	2,115,094
Interest paid	461	205
	<u>1,752,677</u>	<u>2,115,299</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>582,131</u>	<u>181,484</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	628,000	883,095
Purchase of investments	(666,646)	(1,119,195)
Purchase of property	(63,678)	(25,530)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(102,324)</u>	<u>(261,630)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on capital lease	(8,614)	(9,263)
Proceeds from Paycheck Protection Program loan	178,425	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	169,811	(9,263)
<b>NET INCREASE (DECREASE) IN CASH</b>	649,618	(89,409)
<b>CASH AND RESTRICTED CASH, beginning of year</b>	<u>721,484</u>	<u>810,893</u>
<b>CASH AND RESTRICTED CASH, end of year</b>	<u><u>\$ 1,371,102</u></u>	<u><u>\$ 721,484</u></u>
<b>NON-CASH INVESTING ACTIVITIES</b>		
Unrealized gain in market value of investments	\$ (164,154)	\$ (6,080)
Increase in investment value	164,154	6,080
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**HEARING LOSS ASSOCIATION OF AMERICA, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended August 31, 2020 (with Summarized Comparative Information for the year ended August 31, 2019)**

	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<u>\$ 713,299</u>	<u>\$ 268,632</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	14,027	12,944
Non-cash occupancy costs	(12,240)	(20,822)
Unrealized and realized gain on investments	<u>(164,154)</u>	<u>(11,666)</u>
<b>NET ADJUSTMENTS</b>	<u>(162,367)</u>	<u>(19,544)</u>
<b>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH</b>		
<b>ASSETS</b>		
Accounts receivable	43,264	(20,514)
Prepaid expenses	(11,733)	615
Security deposit	<u>(9,181)</u>	<u>-</u>
	<u>22,350</u>	<u>(19,899)</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	20,123	(18,285)
Deferred revenue	<u>(11,274)</u>	<u>(29,420)</u>
	<u>8,849</u>	<u>(47,705)</u>
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>	<u>31,199</u>	<u>(67,604)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 582,131</u>	<u>\$ 181,484</u>

See Notes to Financial Statements.

## **HEARING LOSS ASSOCIATION OF AMERICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

#### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Organization**

Hearing Loss Association of America, Inc. (the Association), formerly Self Help for Hard of Hearing People, Inc. is a Delaware nonprofit corporation. The Association is the nation's foremost membership and advocacy organization for people with hearing loss. The Association opens the world of communication to people with hearing loss through information, education, support and advocacy.

The Association has a network of state organizations and local chapters that provide strategies and support that are modeled after the Association'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**

The Association 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**

The Association considers certificates of deposit and highly liquid investments with an initial maturity of three months or less, when purchased, to be cash equivalents. As of August 31, 2020 and 2019, cash consists of a checking account and a money market account. As of August 31, 2020 and 2019, there were no cash equivalents.

##### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Bills are considered due within 30 days of invoice date. The Association 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, 2020 and 2019, the Association did not have a balance in the allowance for doubtful accounts. Outstanding balances are written off after management has made reasonable collection efforts.

## **HEARING LOSS ASSOCIATION OF AMERICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

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

##### **Property**

The Association 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.

##### **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 donor restricted investments, including realized and unrealized gains and losses, which are recorded as net assets with donor restrictions and then reclassified to net assets without donor restrictions upon appropriation by the Board. Certain net assets with donor restrictions have donor imposed restrictions such that only investment income is available for use by the Association with unrealized gains and losses being retained in net assets with donor restrictions.

##### **Common Stock**

The Association received a stock gift which the donors have specified that the gift and any related dividends remain as stock and not be sold. The gift is recorded as a net asset with donor restriction. Under the agreement, the Association is permitted to use any cash dividends to fund current operations. Accordingly, the fair value of the stock as of August 31, 2020 and 2019 is \$134,593 and \$114,416, respectively, and has been recorded as net assets with donor restriction.

##### **Fair Value Measurements**

The Association applies accounting principles generally accepted in the U.S. (U.S. 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.

##### **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.

**HEARING LOSS ASSOCIATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

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

**Classes of Assets**

In accordance with U.S. GAAP, the Association's net assets are classified into two categories: without donor restriction and with donor restriction. Net assets without donor restriction are available for the general operations of the Association or are designated by the Board for a particular purpose. Net assets with donor restriction are subject to donor-imposed stipulations as to their use for specific programs conducted by the Association or are held in perpetuity.

**Without Donor Restriction**

The Association includes operating net assets which are available for the general operations of the Association as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

**With Donor Restriction**

The Association reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Investment gains and losses earned on donor restricted funds held by the Association are recorded as an increase or decrease in net assets with donor restriction.

**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 net assets with donor restriction at their fair value. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

## **HEARING LOSS ASSOCIATION OF AMERICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

#### **1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **In-Kind Contributions**

The Association at times receives services and/or supplies donated from vendors and suppliers that contract services with the Association. Accordingly, the fair value of in-kind contributions for the years ended August 31, 2020 and 2019 is \$0 and \$27,070, respectively, and has been recorded as net assets with donor restriction.

Additionally, a number of volunteers have contributed significant amounts of time to the activities of the Association 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**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, employer payroll tax, health insurance, life/LTD insurance, employer 403b contributions, bank and credit card fees, blackbaud/software, board related, captioning/signing, depreciation, design and typesetting, dues and subscriptions, equipment rentals, general insurance, IT, office rent, postage/shipping/courier, printing/paper/envelopes, public relations/promotional, small office equipment/software, staff training and recruitment, supplies, telephone, and travel/meals/lodging have been allocated among the program, general and administrative, and fundraising functions based on level of effort. Consulting, event-related expenses, volunteer recognition, and web hosting are allocated to program and fundraising. Awards, commissions, and unified membership program expenses are solely allocated to program. Interest, legal and accounting, miscellaneous, payroll services, repairs and maintenance, and storage is allocated solely to general and administrative. Lastly, the miscellaneous licenses/taxes is allocated to program and general and administrative expenses.

##### **Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Reclassification**

Certain amounts from the prior year have been reclassified to conform to the current year financial statement presentation.

**HEARING LOSS ASSOCIATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

**1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Summarized 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

**Liquidity**

The Association maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Association reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the the Association's monthly financial reporting process.

The Association's financial assets available within one year to meet cash needs for general expenditures through August 31, 2021 are as follows:

Financial Assets	
Cash	\$ 1,371,102
Investments	2,379,666
Accounts receivable	51,324
Total Financial Assets	<u>\$ 3,802,092</u>
Less amounts not available within one year	
Purpose restricted net assets	<u>(414,195)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 3,387,897</u></u>

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)

#### 2. CASH

Cash at August 31, 2020 and 2019 consisted of the following:

	2020	2019
Checking	\$ 1,225,409	\$ 576,386
Business money market	145,693	145,098
	<u>\$ 1,371,102</u>	<u>\$ 721,484</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. As of August 31, 2020 and 2019, the Association's uninsured balances per bank, including money market accounts, totaled \$903,055 and \$312,334, respectively. Restricted cash balances totaled \$41,541 and \$65,778 as of August 31, 2020 and 2019, respectively.

#### 3. PROPERTY

A summary of information relative to property and depreciation for the years ended August 31, 2020 and 2019 is as follows:

	2020				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 45,230	\$ 343	\$ 343	\$ 44,887	11
Office equipment	34,687	5,259	9,088	25,599	5
Leasehold improvement	9,290	70	70	9,220	11
Equipment under capital lease (disposed)	-	8,355	-	-	5
	<u>\$ 89,207</u>	<u>\$ 14,027</u>	<u>\$ 9,501</u>	<u>\$ 79,706</u>	



## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)

#### 3. PROPERTY (CONTINUED)

	2019				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 15,751	\$ -	\$ 15,751	\$ -	3
Office equipment	373,155	3,829	351,454	21,701	3-5
Leasehold improvement	6,050	-	6,050	-	12
Equipment under capital lease	45,574	9,115	37,219	8,355	5
	<u>\$ 440,530</u>	<u>\$ 12,944</u>	<u>\$ 410,474</u>	<u>\$ 30,056</u>	

#### 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, the Association 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 the Association 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**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

**4. INVESTMENTS (CONTINUED)**

The following is a summary of the inputs used to value the investments as of August 31, 2020 and 2019:

	2020		
	Fair Value	Level 1	Level 2
Money market funds	\$ 174,744	\$ 174,744	\$ -
Common stocks			
Consumer goods	134,593	134,593	-
Mutual funds			
Large blend	646,114	646,114	-
Foreign large blend	356,188	356,188	-
Diversified emerging markets	226,651	226,651	-
Mid-cap blend	108,084	108,084	-
Small blend	99,671	99,671	-
Certificates of deposit	633,621	-	633,621
	<u>\$ 2,379,666</u>	<u>\$ 1,746,045</u>	<u>\$ 633,621</u>
	2019		
	Fair Value	Level 1	Level 2
Money market funds	\$ 16,552	\$ 16,552	\$ -
Common stocks			
Consumer goods	114,416	114,416	-
Mutual funds			
Large blend	545,699	545,699	-
Foreign large blend	332,787	332,787	-
Diversified emerging markets	201,232	201,232	-
Mid-cap blend	97,491	97,491	-
Small blend	94,700	94,700	-
Certificates of deposit	773,989	-	773,989
	<u>\$ 2,176,866</u>	<u>\$ 1,402,877</u>	<u>\$ 773,989</u>

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)

#### 4. INVESTMENTS (CONTINUED)

Investment income for the year ended August 31, 2020 and 2019 is as follows:

	2020	2019
Interest	\$ 17,115	\$ 2,387
Dividends	17,891	21,530
Unrealized and realized gain	164,154	11,666
Management fee	(11,289)	(11,381)
	<u>\$ 187,871</u>	<u>\$ 24,202</u>

#### 5. DEFERRED REVENUE

Deferred revenue at August 31, 2020 and 2019 consists of the following:

	2020	2019
Membership	\$ 94,943	\$ 106,265
Convention sponsor	8,600	-
Foundation grant	48,421	56,973
	<u>\$ 151,964</u>	<u>\$ 163,238</u>

#### 6. PAYCHECK PROTECTION PROGRAM LOAN

The Association received loan proceeds in the amount of \$178,425 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and also as long as the Association maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. The Association intends to use the proceeds for the purposes consistent with the PPP.

## **HEARING LOSS ASSOCIATION OF AMERICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

#### **7. NET ASSETS WITH DONOR RESTRICTION**

The Association'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, the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, the Association classifies as net assets with donor restriction (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 net assets without donor restriction is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association 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 the Association, and (7) the Association's investment policies.

The Association has adopted investment and spending policies, approved by the Association'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. Over time, the Association expects its endowment assets, 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.

The Association received a gift of shares of Archer Daniels Midland Company (ADM) which must be held in perpetuity. Cash dividends on the ADM shares are without donor restriction net assets, and can be used by the Association for operations. Dividends in stock each year are to be retained as stock.

As part of the Victor and Teru Matsui fund, the Association has received contributions that must be invested in perpetuity. The fund is restricted for the funding of chapter related matters.

**HEARING LOSS ASSOCIATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

**7. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)**

As part of the Rocky and Ahme Stone Fund, the Association has received and will continue to receive contributions that must be invested in perpetuity, but for which the related earnings thereon are restricted to fund certain annual expenses. Earnings on the Rocky and Ahme Stone Fund are recorded as net assets with donor restriction to the funding of the Association convention scholarship aid.

As of August 31, 2020 and 2019, net assets with donor restrictions consisted of the following:

	2020			Balance August 31, 2020
	Balance August 31, 2019	Contributions/ Investment Income	Releases	
Endowment - ADM Shares	\$ 114,416	\$ 20,177	\$ -	\$ 134,593
Rocky and Ahme Stone				
Endowment Fund	138,340	1,000	-	139,340
Pooled income fund	98,720	-	-	98,720
Wallhagen restricted gift	5,438	-	(5,438)	-
Branigin restricted gift	-	1,200	-	1,200
Manitou grant	-	44,980	(44,980)	-
Henry Fader restricted gift	20,342	-	-	20,342
C. Perazolli restricted gift	40,000	-	(20,000)	20,000
	<u>\$ 417,256</u>	<u>\$ 67,357</u>	<u>\$ (70,418)</u>	<u>\$ 414,195</u>

**HEARING LOSS ASSOCIATION OF AMERICA, INC.****NOTES TO FINANCIAL STATEMENTS****August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)****7. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)**

	2019			Balance August 31, 2019
	Balance August 31, 2018	Contributions/ Investment Income	Releases	
Endowment - ADM Shares	\$ 151,553	\$ (37,137)	\$ -	\$ 114,416
Victor and Teru Matsui restricted gift	12,705	-	(12,705)	-
Rocky and Ahme Stone Endowment Fund	134,815	4,025	(500)	138,340
Pooled income fund	98,720	-	-	98,720
Wallhagen restricted gift	4,715	10,000	(9,277)	5,438
Braningin restricted gift	-	1,200	(1,200)	-
Henry Fader restricted gift	-	45,872	(25,530)	20,342
Convention scholarship	-	2,000	(2,000)	-
C. Perazzolli restricted gift	-	40,000	-	40,000
	<u>\$ 402,508</u>	<u>\$ 65,960</u>	<u>\$ (51,212)</u>	<u>\$ 417,256</u>

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

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)

#### 8. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Trustees of the Association has adopted an accounting and financial reporting policy for net assets without donor restrictions that defines net assets without donor restrictions as either operating or board reserved.

Board-reserved net assets accumulate from other unusual and non-recurring income not associated with the day to day operations of the Association. Operating net assets without donor restriction accumulate from all other income net of expenses, and from amounts released from net assets with donor restrictions.

Net assets without donor restriction for fiscal year 2020 and 2019 are allocated as follows:

	2020		
	Operations	Board Reserved	Total
Net assets without donor restriction, August 31, 2019	\$ 2,299,593	\$ -	\$ 2,299,593
Activities during the fiscal year			
Investment income	167,694	-	167,694
Release from restricted or board designated net assets	70,418	-	70,418
Excess of income over expenses	478,248	-	478,248
Net assets without donor restriction, August 31, 2020	<u>\$ 3,015,953</u>	<u>\$ -</u>	<u>\$ 3,015,953</u>
	2019		
	Operations	Board Reserved	Total
Net assets without donor restriction, August 31, 2018	\$ 2,039,963	\$ 5,746	\$ 2,045,709
Activities during the fiscal year			
Investment income	61,339	-	61,339
Release from restricted or board designated net assets	51,212	(5,746)	45,466
Excess of income over expenses	147,079	-	147,079
Net assets without donor restriction, August 31, 2019	<u>\$ 2,299,593</u>	<u>\$ -</u>	<u>\$ 2,299,593</u>

## **HEARING LOSS ASSOCIATION OF AMERICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

#### **9. DEFINED CONTRIBUTION PLAN**

The Association maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The Association contributed up to 5% on behalf of the eligible participants' contributions. Employer contributions to the plan were \$23,648 and \$26,067 for the years ended August 31, 2020 and 2019, respectively.

#### **10. INCOME TAXES**

The Association 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, 2020 and 2019, the Association paid no income taxes for unrelated business income in connection with its magazine advertising activities.

Management has analyzed the tax position taken and has concluded that as of August 31, 2020, 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.

#### **11. RELATED PARTIES**

The Association 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 the Association mission in their local areas. The Association provides strategies and support that are modeled after the Association's self-help philosophy.

During fiscal year 2020, the Association had agreements with certain local chapters and affiliates to conduct local Walk4Hearing fundraising events in numerous cities across the country. As part of these agreements, the Association 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 funds raised. As of August 31, 2020, the Association's share of revenue from these Walks totaled \$410,921 with a corresponding receivable of \$20,590 and payable of \$30,128. As of August 31, 2019, the Association's share of revenue from these Walks totaled \$475,542 with a corresponding receivable of \$44,854 and payable of \$88,509. In addition, the Association 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.



## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)

#### 12. JOINT COST ALLOCATION

The Association 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:

	<u>2020</u>	<u>2019</u>
Fundraising	\$ 54,651	\$ 54,099
Program	491,824	486,896
	<u>\$ 546,475</u>	<u>\$ 540,995</u>

#### 13. COMMITMENTS

##### Office Lease

The Association was obligated under a noncancelable operating lease for office space at its headquarters through June 30, 2020. 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. The Association 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. Rent expense and storage expense for the years ended August 31, 2020 and 2019 totaled \$145,353 and \$145,731, respectively.

The Association has since entered into a new operating lease for its headquarters. The lease will commence August 1, 2020 and will expire July 31, 2031. Monthly rent payments will be \$9,181 per month for the first twelve months and will increase by 2.5% each year thereafter. The first twelve payments under the terms of the lease are to be waived under an abatement clause. Future minimum lease payments related to this lease are as follows:

Fiscal year ended August 31	
2021	\$ 9,409
2022	113,146
2023	115,969
2024	118,865
2025	121,833
Thereafter	<u>785,556</u>
	<u>\$ 1,264,778</u>

**HEARING LOSS ASSOCIATION OF AMERICA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 (with Summarized Comparative Information as of and for the year ended August 31, 2019)**

**13. COMMITMENTS (Continued)**

**Capital Lease**

The Association 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, 2020 and 2019 was \$65 and \$205, respectively.

**Future Meeting Sites**

The Association entered into an agreement for future meeting sites with various hotels. Had the Association cancelled these contracts as of August 31, 2020, it would have been liable for cancellation fees up to \$512,069.

**Novel COVID-19 Coronavirus**

Citizens and economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the Association's operations because the disease's severity and duration are uncertain, we expect 2021 financial results will be significantly impacted and the implications beyond 2021, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these financial statements.

**14. SUBSEQUENT EVENTS**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 29, 2021, the date the financial statements were available to be issued.