

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

FINANCIAL STATEMENTS

**Year Ended August 31, 2021
with Summarized Comparative Information for the year ended
August 31, 2020**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Association's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Renner and Company, CPA, P.C.

Alexandria, Virginia
January 31, 2022

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2021 (with Comparative Information as of August 31, 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 1,356,023	\$ 1,371,102
Accounts receivable	88,807	51,324
Prepaid expenses	<u>22,303</u>	<u>35,682</u>
TOTAL CURRENT ASSETS	<u>1,467,133</u>	<u>1,458,108</u>
PROPERTY, at cost, net	<u>98,966</u>	<u>79,706</u>
OTHER ASSETS		
Investments	3,811,501	2,379,666
Security deposit	<u>11,181</u>	<u>11,506</u>
TOTAL OTHER ASSETS	<u>3,822,682</u>	<u>2,391,172</u>
TOTAL ASSETS	<u><u>\$ 5,388,781</u></u>	<u><u>\$ 3,928,986</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 261,609	\$ 158,867
Paycheck Protection Program loan payable	178,425	178,425
Deferred revenue	100,164	151,964
Deferred rent	<u>115,325</u>	<u>9,582</u>
TOTAL LIABILITIES	<u>655,523</u>	<u>498,838</u>
NET ASSETS		
Without Donor Restriction	4,284,613	3,015,953
With Donor Restriction	<u>448,645</u>	<u>414,195</u>
TOTAL NET ASSETS	<u>4,733,258</u>	<u>3,430,148</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,388,781</u></u>	<u><u>\$ 3,928,986</u></u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.**STATEMENT OF ACTIVITIES****Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)**

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 1,851,940	\$ 11,300	\$ 1,863,240	\$ 1,418,278
Investment income	482,917	45,827	528,744	187,871
Walk4Hearing	384,499	-	384,499	410,921
Membership dues	123,068	-	123,068	135,895
Advertising	91,495	-	91,495	165,362
Grants and contracts	90,487	-	90,487	88,300
Conferences, meetings, and seminars	30,875	-	30,875	32,070
Consulting income	5,000	-	5,000	2,055
Other	91	-	91	26,220
Net assets released from restrictions: Satisfaction of purpose restrictions	22,677	(22,677)	-	-
TOTAL SUPPORT AND REVENUE	3,083,049	34,450	3,117,499	2,466,972
EXPENSES				
Program	1,395,039	-	1,395,039	1,332,579
Management and general	163,224	-	163,224	154,205
Fundraising	256,126	-	256,126	266,889
TOTAL EXPENSES	1,814,389	-	1,814,389	1,753,673
CHANGE IN NET ASSETS	1,268,660	34,450	1,303,110	713,299
NET ASSETS, beginning of year	3,015,953	414,195	3,430,148	2,716,849
NET ASSETS, end of year	\$ 4,284,613	\$ 448,645	\$ 4,733,258	\$ 3,430,148

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

	PROGRAM SERVICES							
	Virtual Experience HLAA	Chapters, State Organizations, Members	Education	Advocacy	Walk4Hearing Awareness	Get in the Hearing Loop	Accessibility and Technology	Program Total
Salaries	\$ 155,809	\$ 231,103	\$ 79,963	\$ 110,276	\$ 139,652	\$ -	\$ -	\$ 716,803
Employer payroll tax	12,038	17,866	6,072	8,498	10,825	-	-	55,299
Health insurance	7,545	11,201	3,814	5,326	6,789	-	-	34,675
Life/LTD insurance	1,716	2,555	885	1,212	1,553	-	-	7,921
Employer 403b contributions	4,651	6,911	2,368	3,282	4,194	-	-	21,406
Consulting	-	52	36,492	33,120	-	10,205	30,040	109,909
Awards	-	-	-	-	-	-	-	-
Bank and credit card fees	2,224	7,657	329	438	8,977	-	-	19,625
Blackbaud/software	14,738	22,871	-	-	9,979	-	-	47,588
Board-related	1,099	1,643	582	776	1,002	-	-	5,102
Captioning/signing	855	3,346	1,330	-	557	-	2,161	8,249
Commissions	-	-	20,534	-	-	-	-	20,534
Depreciation	2,022	3,021	1,070	1,427	1,844	-	-	9,384
Design and typesetting services	760	3,072	13,030	-	2,690	-	-	19,552
Dues and subscriptions	-	344	1,125	500	30	-	1,304	3,303
Equipment rentals	-	-	-	-	-	-	-	-
Event-related	34,975	8,400	52,844	-	10,500	-	-	106,719
General insurance	1,915	2,862	1,014	1,352	1,746	-	-	8,889
Interest	-	-	-	-	-	-	-	-
IT	1,982	2,962	1,049	1,399	1,808	-	-	9,200
Legal and accounting	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Miscellaneous licenses/ taxes	-	6,082	-	-	-	-	-	6,082
Office rent	21,295	31,816	11,273	15,032	19,415	-	-	98,831
Payroll services	-	-	-	-	-	-	-	-
Postage/shipping/courier	477	3,031	6,969	337	3,240	-	46	14,100
Printing/paper/envelopes	-	5,393	21,213	-	879	-	-	27,485
Public relations/promotional	-	1,726	5,713	-	2,157	-	-	9,596
Repairs and maintenance	-	-	-	-	-	-	-	-
Small office equipment/software	6,806	2,214	735	-	-	120	-	9,875
Staff training & recruitment	-	238	-	-	297	-	-	535
Storage	-	-	-	-	-	-	-	-
Supplies	-	89	-	-	111	-	-	200
Telephone	1,953	3,054	1,034	1,377	1,951	-	-	9,369
Travel, meals, and lodging	-	619	-	-	503	-	3,859	4,981
Unified membership program	-	3,275	-	-	-	-	-	3,275
Volunteer recognition	-	1,022	-	-	1,277	-	-	2,299
Web hosting	-	-	4,253	-	-	-	-	4,253
Total	\$ 272,860	\$ 384,425	\$ 273,691	\$ 184,352	\$ 231,976	\$ 10,325	\$ 37,410	\$ 1,395,039

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

	2021					2020	
	Program Total	General and Administrative	Fundraising			Total	Total
			Development	Fundraising	Total Fundraising		
Salaries	\$ 716,803	\$ 73,839	\$ 92,064	\$ 27,930	\$ 119,994	\$ 910,636	\$ 777,064
Employer payroll tax	55,299	6,864	7,081	2,165	9,246	71,409	64,364
Health insurance	34,675	3,552	4,438	1,358	5,796	44,023	35,212
Life/LTD insurance	7,921	808	1,011	311	1,322	10,051	9,992
Employer 403b contributions	21,406	2,187	2,735	839	3,574	27,167	23,648
Consulting	109,909	1,450	44,420	-	44,420	155,779	160,236
Awards	-	-	-	-	-	-	211
Bank and credit card fees	19,625	3,102	365	1,795	2,160	24,887	25,769
Blackbaud/software	47,588	-	14,888	1,996	16,884	64,472	68,423
Board-related	5,102	1,332	647	200	847	7,281	13,544
Captioning/signing	8,249	4,038	135	111	246	12,533	7,780
Commissions	20,534	-	-	-	-	20,534	37,921
Depreciation	9,384	951	1,189	369	1,558	11,893	14,027
Design and typesetting services	19,552	160	2,930	538	3,468	23,180	17,030
Dues and subscriptions	3,303	6,900	3,152	6	3,158	13,361	7,926
Equipment rentals	-	4,530	-	-	-	4,530	20,505
Event-related	106,719	-	-	2,100	2,100	108,819	30,510
General insurance	8,889	4,709	1,127	349	1,476	15,074	12,968
Interest	-	1,784	-	-	-	1,784	461
IT	9,200	932	1,166	362	1,528	11,660	17,713
Legal and accounting	-	17,052	-	-	-	17,052	26,771
Miscellaneous	-	2,313	-	-	-	2,313	77
Miscellaneous licenses/ taxes	6,082	860	-	-	-	6,942	6,957
Office rent	98,831	612	12,526	3,883	16,409	115,852	141,173
Payroll services	-	4,305	-	-	-	4,305	3,578
Postage/shipping/courier	14,100	2,496	7,689	648	8,337	24,933	25,983
Printing/paper/envelopes	27,485	1,555	6,428	176	6,604	35,644	66,562
Public relations/promotional	9,596	565	2,994	431	3,425	13,586	29,325
Repairs and maintenance	-	150	-	-	-	150	300
Small office equipment/software	9,875	3,869	1,434	-	1,434	15,178	22,779
Staff training & recruitment	535	2,744	69	59	128	3,407	6,942
Storage	-	-	-	-	-	-	4,180
Supplies	200	6,846	-	22	22	7,068	12,411
Telephone	9,369	919	1,148	390	1,538	11,826	8,449
Travel, meals, and lodging	4,981	1,800	96	101	197	6,978	33,940
Unified membership program	3,275	-	-	-	-	3,275	6,605
Volunteer recognition	2,299	-	-	255	255	2,554	2,410
Web hosting	4,253	-	-	-	-	4,253	9,927
Total	\$ 1,395,039	\$ 163,224	\$ 209,732	\$ 46,394	\$ 256,126	1,814,389	\$ 1,753,673

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.**STATEMENT OF CASH FLOWS****Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Revenue	\$ 2,499,472	\$ 2,311,091
Investment income	30,647	23,717
	<u>2,530,119</u>	<u>2,334,808</u>
Cash disbursed by operations		
Payments to employees and suppliers	1,578,523	1,752,216
Interest paid	1,784	461
	<u>1,580,307</u>	<u>1,752,677</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>949,812</u>	<u>582,131</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	77,841	628,000
Purchase of investments	(1,011,579)	(666,646)
Purchase of property	(31,153)	(63,678)
NET CASH USED BY INVESTING ACTIVITIES	<u>(964,891)</u>	<u>(102,324)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on capital lease	-	(8,614)
Proceeds from Paycheck Protection Program loan	-	178,425
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>169,811</u>
NET (DECREASE) INCREASE IN CASH	(15,079)	649,618
CASH AND RESTRICTED CASH, beginning of year	<u>1,371,102</u>	<u>721,484</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 1,356,023</u>	<u>\$ 1,371,102</u>
NON-CASH INVESTING ACTIVITIES		
Unrealized gain in market value of investments	\$ (493,214)	\$ (164,154)
Increase in investment value	493,214	164,154
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 1,303,110</u>	<u>\$ 713,299</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	11,893	14,027
Non-cash occupancy costs	105,743	(12,240)
Unrealized and realized gain on investments	<u>(498,097)</u>	<u>(164,154)</u>
NET ADJUSTMENTS	<u>(380,461)</u>	<u>(162,367)</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH		
ASSETS		
Accounts receivable	(37,483)	43,264
Prepaid expenses	13,379	(11,733)
Security deposit	<u>325</u>	<u>(9,181)</u>
	<u>(23,779)</u>	<u>22,350</u>
LIABILITIES		
Accounts payable and accrued expenses	102,742	20,123
Deferred revenue	<u>(51,800)</u>	<u>(11,274)</u>
	<u>50,942</u>	<u>8,849</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>27,163</u>	<u>31,199</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 949,812</u></u>	<u><u>\$ 582,131</u></u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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, 2021 and 2020, cash consists of a checking account and a money market account. As of August 31, 2021 and 2020, 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, 2021 and 2020, 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

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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, 2021 and 2020 is \$180,420 and \$134,593, 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

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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

Renewal membership dues are recognized ratably over the membership period. Memberships received in advance are deferred to the appropriate membership period. Contributions received are recorded as net asset without donor restriction or net asset with donor restrictions, depending on the existence and/or nature of any donor restrictions. 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. Grant received that are considered to be conditional promises to give are recorded as refundable advances until the conditions are substantially met. Advertising revenue is recognized at a point in time; once the advertisement has been published.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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

Revenue Recognition (Continued)

Performance Obligations

Renewal membership dues are recognized over the membership period. The contract for renewal membership dues is established once payment for membership is paid, depending on the type of membership selected. With rates ranging from \$45 a year for individual memberships and \$500 a year for corporate regular membership. The payment is not refundable to the resource provided.

Magazine advertising revenues are recognized at the time the advertisement has been published. The contract for magazine advertising revenues is established once payment is received, for which the Association provides access rights to the magazine advertisements. Rates vary depending on the memberships. Refunds are provided on demand.

Individual and foundation grants are recognized at the beginning of the year. There is no contractual obligations for individual and foundation grants, for which the Association does not provide anything to donors in return of donations. Grants have variable rates depends on the categories of the payment and nature of contracts with customer. The revenues are nonrefundable.

Significant Judgments

The Association's Board of Directors determines the price for its membership dues each year. The price for meetings and conferences is determined by management which accounts for all the expenses to be incurred and includes it in the transaction price.

In-Kind Contributions

The Association at times receives services and/or supplies donated from vendors and suppliers that contract services with the Association. There was no in-kind contribution recorded for the years ended August 31, 2021 and 2020.

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.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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

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, consulting, bank and credit card fees, board related, captioning/signing, depreciation, design and typesetting, dues and subscriptions, 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. Blackbaud/software, event-related expenses and volunteer recognition are allocated to program and fundraising. Commissions, unified membership program, and web hosting are solely allocated to program. Equipment rentals, interest, legal and accounting, miscellaneous, payroll services, and repairs and maintenance are 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.

Adoption of New Accounting Standard

The Association has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* modifying ASC section 606. The change has been applied as of August 31, 2021, with no effect on beginning net assets without donor restrictions.

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, 2020, from which the summarized information was derived.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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

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, 2022 are as follows:

Financial Assets	
Cash	\$ 1,356,023
Investments	3,811,501
Accounts receivable	88,807
Total Financial Assets	<u>\$ 5,256,331</u>
Less amounts not available within one year	
Purpose restricted net assets	<u>(448,645)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 4,807,686</u></u>

2. CASH

Cash at August 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Checking	\$ 1,210,196	\$ 1,225,409
Business money market	<u>145,827</u>	<u>145,693</u>
	<u><u>\$ 1,356,023</u></u>	<u><u>\$ 1,371,102</u></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, 2021 and 2020, the Association's uninsured balances per bank, including money market accounts, totaled \$935,062 and \$903,055, respectively. Restricted cash balances totaled \$30,165 and \$41,542 as of August 31, 2021 and 2020, respectively.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

3. PROPERTY

A summary of information relative to property and depreciation for the years ended August 31, 2021 and 2020 is as follows:

	2021				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 45,230	\$ 4,112	\$ 4,455	\$ 40,775	11
Office equipment	65,841	6,937	16,026	49,815	5
Leasehold improvement	9,290	844	914	8,376	11
	<u>\$ 120,361</u>	<u>\$ 11,893</u>	<u>\$ 21,395</u>	<u>\$ 98,966</u>	
	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>	

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:

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

4. INVESTMENTS (CONTINUED)

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.

The following is a summary of the inputs used to value the investments as of August 31, 2021 and 2020:

	2021		
	Fair Value	Level 1	Level 2
Money market funds	\$ 96,620	\$ 96,620	\$ -
Common stocks			
Consumer goods	180,420	180,420	-
Mutual funds			
Large blend	1,185,981	1,185,981	-
Foreign large blend	618,189	618,189	-
Diversified emerging markets	397,784	397,784	-
Mid-cap blend	206,120	206,120	-
Small blend	196,437	196,437	-
Savings deposits	9,679	9,679	-
Certificates of deposit	920,271	-	920,271
	<u>\$ 3,811,501</u>	<u>\$ 2,891,230</u>	<u>\$ 920,271</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

4. INVESTMENTS (CONTINUED)

	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>

Investment income for the year ended August 31, 2021 and 2020 is as follows:

	2021	2020
Interest	\$ 9,566	\$ 17,115
Dividends	39,712	17,891
Unrealized and realized gain	498,097	164,154
Management fee	(18,631)	(11,289)
	<u>\$ 528,744</u>	<u>\$ 187,871</u>

5. DEFERRED REVENUE

Deferred revenue at August 31, 2021 and 2020 consists of the following:

	2021	2020
Membership	\$ 69,143	\$ 94,943
Convention sponsor	-	8,600
Foundation grant	31,021	48,421
	<u>\$ 100,164</u>	<u>\$ 151,964</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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. Subsequent to the year end, the loan was forgiven by the Small Business Administration for the amount in full.

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.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

7. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

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 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.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

7. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

As of August 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	2021			Balance August 31, 2021
	Balance August 31, 2020	Contributions/ Investment Income	Releases	
Endowment - ADM Shares Rocky and Ahme Stone	\$ 134,593	\$ 45,827	\$ -	\$ 180,420
Endowment Fund	139,340	-	-	139,340
Pooled income fund	98,720	-	-	98,720
Branigin restricted gift	1,200	1,200	-	2,400
Henry Fader restricted gift	20,342	-	(20,342)	-
C. Perazzoli restricted gift	20,000	-	-	20,000
Hearing Industry- Social media	-	5,000	(2,335)	2,665
Advancing health care	-	5,100	-	5,100
	<u>\$ 414,195</u>	<u>\$ 57,127</u>	<u>\$ (22,677)</u>	<u>\$ 448,645</u>
	2020			Balance August 31, 2020
	Balance August 31, 2019	Contributions/ Investment Income	Releases	
Endowment - ADM Shares Rocky and Ahme Stone	\$ 114,416	\$ 20,177	\$ -	\$ 134,593
Endowment Fund	138,340	1,000	-	139,340
Pooled income fund	98,720	-	-	98,720
Wallhagen restricted gift	5,438	-	(5,438)	-
Braningin restricted gift	-	1,200	-	1,200
Manitou grant	-	44,980	(44,980)	-
Henry Fader restricted gift	20,342	-	-	20,342
C. Perazzoli restricted gift	40,000	-	(20,000)	20,000
	<u>\$ 417,256</u>	<u>\$ 67,357</u>	<u>\$ (70,418)</u>	<u>\$ 414,195</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

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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 2021 and 2020 are allocated as follows:

	2021		
	Operations	Board Reserved	Total
Net assets without donor restriction, August 31, 2020	\$ 3,015,953	\$ -	\$ 3,015,953
Activities during the fiscal year			
Investment income	482,917	-	482,917
Release from restricted or board designated net assets	22,677	-	22,677
Excess of income over expenses	763,066	-	763,066
Net assets without donor restriction, August 31, 2021	<u>\$ 4,284,613</u>	<u>\$ -</u>	<u>\$ 4,284,613</u>
	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>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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 \$27,167 and \$23,648 for the years ended August 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021, 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 2021, 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, 2021, the Association's share of revenue from these Walks totaled \$384,499 with a corresponding receivable of \$45,336 and payable of \$63,335. 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. 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

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

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>2021</u>	<u>2020</u>
Fundraising	\$ 46,394	\$ 54,651
Program	417,553	491,824
	<u>\$ 463,947</u>	<u>\$ 546,475</u>

13. COMMITMENTS

Office Lease

The Association has entered into a new operating lease for its headquarters which commenced August 1, 2020, will expire on July 31, 2031. 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, 2021 and 2020 totaled \$115,852 and \$141,173, respectively.

Monthly rent payments was \$9,181 per month for the first twelve months and increased 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	
2022	\$ 113,146
2023	115,969
2024	118,865
2025	121,833
2026	124,873
Thereafter	<u>660,683</u>
	<u>\$ 1,255,369</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)

13. COMMITMENTS (Continued)

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, 2021, it would have been liable for cancellation fees up to \$373,190.

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 2022 financial results will be significantly impacted and the implications beyond 2022, 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 31, 2022, the date the financial statements were available to be issued.