

HEARING LOSS ASSOCIATION OF AMERICA, INC.

FINANCIAL STATEMENTS

**Year Ended August 31, 2015
(with Summarized Comparative Information for August 31, 2014)**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Hearing Loss Association of America (a nonprofit organization)(the Association), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of August 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Association's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, 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

March 17, 2016

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2015 (with comparative information as of August 31, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 306,548	\$ 508,076
Accounts receivable	95,491	157,144
Prepaid expenses	<u>35,728</u>	<u>49,629</u>
TOTAL CURRENT ASSETS	<u>437,767</u>	<u>714,849</u>
PROPERTY, at cost, net	<u>55,472</u>	<u>22,004</u>
OTHER ASSETS		
Investments	1,267,110	1,233,543
Other investments	26,750	26,750
Security deposit	<u>3,325</u>	<u>325</u>
TOTAL OTHER ASSETS	<u>1,297,185</u>	<u>1,260,618</u>
TOTAL ASSETS	<u>\$ 1,790,424</u>	<u>\$ 1,997,471</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 178,397	\$ 122,266
Deferred revenue	193,170	226,447
Deferred rent	2,840	(2,698)
Capital lease liability	<u>8,854</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>383,261</u>	<u>346,015</u>
LONG-TERM LIABILITIES		
Deferred rent, net of current portion	65,836	68,676
Capital lease liability, net of current portion	<u>35,989</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>101,825</u>	<u>68,676</u>
TOTAL LIABILITIES	<u>485,086</u>	<u>414,691</u>
NET ASSETS		
Unrestricted	712,458	976,767
Temporarily restricted	325,411	329,863
Permanently restricted	<u>267,469</u>	<u>276,150</u>
TOTAL NET ASSETS	<u>1,305,338</u>	<u>1,582,780</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,790,424</u>	<u>\$ 1,997,471</u>

See Notes to the Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES

Year ended August 31, 2015

(with summarized comparative information for the year ended August 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Contributions	\$ 816,677	\$ 212,594	\$ 5,964	\$ 1,035,235	\$ 1,019,052
Walk4Hearing	585,118	-	-	585,118	609,121
Grants and contracts	32,065	-	-	32,065	155,103
Membership dues	167,088	-	-	167,088	164,002
Conferences, meetings, and seminars	251,153	-	-	251,153	272,561
Publication and advertising	196,255	-	-	196,255	192,529
Investment income (loss)	(69,180)	1,260	(14,645)	(82,565)	54,431
Consulting income	5,000	-	-	5,000	-
Other	29,538	-	-	29,538	3,934
Net assets released from restrictions:					
Satisfaction of purpose restrictions	218,306	(218,306)	-	-	-
TOTAL SUPPORT AND REVENUE	<u>2,232,020</u>	<u>(4,452)</u>	<u>(8,681)</u>	<u>2,218,887</u>	<u>2,470,733</u>
EXPENSES					
Program	1,365,686	-	-	1,365,686	1,142,383
Management and general	474,242	-	-	474,242	383,717
Fundraising	656,401	-	-	656,401	642,372
TOTAL EXPENSES	<u>2,496,329</u>	<u>-</u>	<u>-</u>	<u>2,496,329</u>	<u>2,168,472</u>
CHANGE IN NET ASSETS	<u>(264,309)</u>	<u>(4,452)</u>	<u>(8,681)</u>	<u>(277,442)</u>	<u>302,261</u>
NET ASSETS, beginning of year	<u>976,767</u>	<u>329,863</u>	<u>276,150</u>	<u>1,582,780</u>	<u>1,280,519</u>
NET ASSETS, end of year	<u>\$ 712,458</u>	<u>\$ 325,411</u>	<u>\$ 267,469</u>	<u>\$ 1,305,338</u>	<u>\$ 1,582,780</u>

See Notes to the Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES
Year Ended August 31, 2015

	PROGRAM SERVICES											
	Convention	Chapters/State	Magazine/	Member	Advocacy	Academy	RERC/HAT		Consumer Loops/	Consumer		Program Total
		Organizations	Web Ads	Services			Training	International Loop	Technology	Other		
Salaries	\$ 77,727	\$ 82,794	\$ 59,649	\$ 87,294	\$ 82,385	\$ 6,953	\$ 26,180	\$ 10,870	\$ 83,822	\$ -	\$ 517,674	
Employer payroll tax	5,423	4,864	4,299	4,732	4,853	482	1,199	379	4,331	-	30,562	
Health insurance	5,986	13,336	5,167	3,496	19,975	1,734	-	-	6,004	-	55,698	
Life/LTD insurance	1,071	1,428	746	789	1,264	98	-	-	828	-	6,224	
Employer 403b contributions	2,411	989	1,764	555	1,956	118	-	-	-	-	7,793	
Other employee benefits	66	49	37	37	47	13	-	-	-	-	249	
Consulting	-	-	-	-	-	-	-	15,000	54,973	-	69,973	
Chapter membership rebates	-	1,900	-	2,895	-	-	-	-	-	-	4,795	
Awards	38	1,327	-	-	-	-	-	-	-	-	1,365	
Bank and credit card fees	860	608	614	585	661	80	-	-	-	-	3,408	
Board-related expense	-	-	-	-	-	-	-	-	-	1,035	1,035	
Captioning/signing	19,885	-	-	800	-	-	-	494	-	-	21,179	
Commissions	10,061	-	43,387	-	-	-	-	-	-	-	53,448	
Convio expense	-	-	-	-	-	-	-	-	-	-	-	
Decorations	9,240	-	-	-	-	-	-	-	-	-	9,240	
Depreciation	1,380	981	995	963	1,057	128	-	11	-	-	5,515	
Design and typesetting services	767	-	22,144	1,675	-	-	-	740	200	-	25,526	
Donor recognition	-	-	-	-	-	-	-	-	-	-	-	
Dues and subscriptions	133	95	96	91	634	12	-	355	1,100	-	2,516	
Equipment rentals	46,376	1,151	848	1,149	1,225	423	-	-	-	-	51,172	
Event-related expense	181,258	1,410	357	293	1,300	46	2,108	225	3,069	-	190,066	
General insurance	95	(958)	67	64	73	9	-	-	-	-	(650)	
Interest expense	57	37	40	37	41	5	-	-	-	-	217	
Legal and audit	-	-	-	-	-	-	-	-	-	-	-	
Miscellaneous expense	-	-	-	-	-	-	-	-	-	20,000	20,000	
Miscellaneous licenses/taxes	-	-	-	-	-	-	-	-	-	-	-	
Office rent	14,726	10,409	10,525	10,038	11,321	1,370	-	6	-	-	58,395	
Payroll services	356	252	254	243	274	33	-	-	-	-	1,412	
Postage/shipping/courier	413	337	25,534	10,340	-	-	-	286	7	645	37,562	
Printing/paper/envelopes	14,037	312	49,349	14,535	-	-	-	4,672	513	1,301	84,719	
Public relations/promotional	25	-	-	-	2,720	-	-	-	-	-	2,745	
Repairs and maintenance	6,142	4,337	4,423	4,189	4,735	574	-	-	-	-	24,400	
Scholarships-convention	10,016	-	-	-	-	-	-	-	-	-	10,016	
Small office equipment/software	-	-	-	1,905	-	-	-	-	202	-	2,107	
Staff training and recruitment	-	-	-	89	-	-	-	-	-	-	89	
Storage	140	99	100	95	107	13	-	-	-	-	554	
Supplies	902	308	312	5,003	335	41	60	1	192	4,090	11,244	
Telephone	1,134	660	877	636	718	87	-	-	95	-	4,207	
Travel, meals, and lodging	10,564	4,157	-	34	1,000	-	1,001	25,604	6,272	-	48,632	
UBIT expense	-	-	-	(196)	-	-	-	-	-	-	(196)	
Volunteer recognition	-	-	-	-	-	-	-	-	-	-	-	
Web hosting	-	-	2,153	642	-	-	-	-	-	-	2,795	
Total	\$ 421,289	\$ 130,882	\$ 233,737	\$ 153,008	\$ 136,681	\$ 12,219	\$ 30,548	\$ 58,643	\$ 161,608	\$ 27,071	\$ 1,365,686	

See Notes to the Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES - SUPPORTING SERVICES
Year Ended August 31, 2015

	Program Total	General & Administrative	Fundraising		Fundraising Total	Total
			Walk For Hearing	Development		
Salaries	\$ 517,674	\$ 87,494	\$ 111,512	\$ 112,373	\$ 223,885	\$ 829,053
Employer payroll tax	30,562	20,685	8,083	5,686	13,769	65,016
Health insurance	55,698	1,262	6,960	15,876	22,836	79,796
Life/LTD insurance	6,224	2,745	1,812	1,601	3,413	12,382
Employer 403b contributions	7,793	1,935	2,324	765	3,089	12,817
Other employee benefits	249	463	130	105	235	947
Consulting	69,973	189,768	52,604	25,500	78,104	337,845
Chapter membership rebates	4,795	-	-	-	-	4,795
Awards	1,365	11	-	1,290	1,290	2,666
Bank and credit card fees	3,408	25,506	6,545	1,513	8,058	36,972
Board-related expense	1,035	11,187	-	95	95	12,317
Captioning/signing	21,179	789	975	345	1,320	23,288
Commissions	53,448	-	-	-	-	53,448
Convio expense	-	-	48,453	-	48,453	48,453
Decorations	9,240	-	-	-	-	9,240
Depreciation	5,515	1,601	2,654	2,336	4,990	12,106
Design and typesetting services	25,526	401	(13,277)	4,890	(8,387)	17,540
Donor recognition	-	40	-	-	-	40
Dues and subscriptions	2,516	10,998	252	235	487	14,001
Equipment rentals	51,172	841	2,554	4,483	7,037	59,050
Event-related expense	190,066	1,360	3,052	899	3,951	195,377
General insurance	(650)	22,498	179	167	346	22,194
Interest expense	217	279	113	92	205	701
Legal and audit	-	16,447	9	-	9	16,456
Miscellaneous expense	20,000	1,038	(100)	-	(100)	20,938
Miscellaneous licenses/taxes	-	3,822	450	2,515	2,965	6,787
Office rent	58,395	29,291	27,842	25,867	53,709	141,395
Payroll services	1,412	705	673	627	1,300	3,417
Postage/shipping/courier	37,562	5,193	4,708	13,093	17,801	60,556
Printing/paper/envelopes	84,719	5,647	87,951	16,147	104,098	194,464
Public relations/promotional	2,745	-	1,062	1,240	2,302	5,047
Repairs and maintenance	24,400	11,461	15,103	10,828	25,931	61,792
Scholarships-convention	10,016	-	-	-	-	10,016
Small office equipment/software	2,107	620	-	-	-	2,727
Staff training and recruitment	89	2,162	-	89	89	2,340
Storage	554	274	264	246	510	1,338
Supplies	11,244	2,597	537	877	1,414	15,255
Telephone	4,207	3,015	3,767	1,673	5,440	12,662
Travel, meals, and lodging	48,632	11,049	22,414	4,218	26,632	86,313
UBIT expense	(196)	-	-	-	-	(196)
Volunteer recognition	-	303	-	-	-	303
Web hosting	2,795	755	1,125	-	1,125	4,675
Total	<u>\$ 1,365,686</u>	<u>\$ 474,242</u>	<u>\$ 400,730</u>	<u>\$ 255,671</u>	<u>\$ 656,401</u>	<u>\$ 2,496,329</u>

See Notes to the Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.**STATEMENT OF CASH FLOWS****Year ended August 31, 2015****(with comparative information for the year ended August 31, 2014)**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Revenue	\$ 2,329,828	\$ 2,310,966
Investment income	7,023	4,627
	<u>2,336,851</u>	<u>2,315,593</u>
Cash disbursed by operations		
Payments to employees and suppliers	2,410,792	2,087,366
Interest paid	701	1,021
Income taxes paid	-	8,275
	<u>2,411,493</u>	<u>2,096,662</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(74,642)</u>	<u>218,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Security deposit paid	(3,000)	-
Purchase of property and equipment	-	(21,863)
Proceeds from sale of investments	1,975,087	725,000
Purchase of investments	<u>(2,098,242)</u>	<u>(1,007,737)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(126,155)</u>	<u>(304,600)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on capital lease	<u>(731)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(201,528)	(85,669)
CASH AND CASH EQUIVALENTS, beginning of year	<u>508,076</u>	<u>593,745</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 306,548</u>	<u>\$ 508,076</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unrealized loss (gain) in market value of investments	\$ 89,588	\$ (49,803)
(Decrease) Increase in investment value	(89,588)	49,803
Capital lease obligation	45,574	-
Purchase of equipment under capital lease	<u>(45,574)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS

Year ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ (277,442)</u>	<u>\$ 302,261</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation	12,106	9,345
Non-cash occupancy costs	2,698	8,025
Unrealized and realized loss (gain) on investments	89,588	(49,803)
Increase in cash surrender value of life insurance (other investments)	-	(1,497)
Loss on disposal of property	-	2,806
NET ADJUSTMENTS	<u>104,392</u>	<u>(31,124)</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Accounts receivable	61,653	(104,994)
Prepaid expenses	13,901	10,506
	<u>75,554</u>	<u>(94,488)</u>
LIABILITIES		
Accounts payable	56,131	41,128
Deferred revenue	(33,277)	1,154
	<u>22,854</u>	<u>42,282</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>98,408</u>	<u>(52,206)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (74,642)</u>	<u>\$ 218,931</u>

See Notes to the Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hearing Loss Association of America, Inc. (HLAA), formerly Self Help for Hard of Hearing People, Inc. is a Maryland, nonprofit corporation. HLAA's principal activity is to encourage identification of those persons having a hearing problem, provide education for them, their families, and friends on how best to cope with the problem, and foster public and private programs aimed at alleviating the problem.

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

Basis of Accounting

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

Cash and Cash Equivalents

HLAA considers certificates of deposits and highly liquid investments with an initial maturity of three months or less, when purchased, to be cash equivalents. As of August 31, 2015, cash consists of two checking accounts and a money market account. As of August 31, 2015, there were no cash equivalents. Cash equivalents as of August 31, 2014 totaled \$28,858.

Allowance for Doubtful Accounts

HLAA maintains an allowance for doubtful accounts for estimated losses that may result from the inability of advertisers or others to make payments. Such allowance is based on several factors, including, but not limited to, historical experience and the financial condition of the payee. As of August 31, 2015 and 2014, HLAA did not have a balance in the allowance for doubtful accounts.

Property

HLAA has adopted a capitalization policy to capitalize all purchases greater than \$1,500 that meet the criteria for capitalization. Property and equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally over a three year period.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

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

Investments

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

Common Stock

HLAA received a stock gift which the donors have specified that the stock and any stock dividends remain as stock and not be sold. The gift is recorded as a permanently restricted asset. Under the agreement, HLAA is permitted to use any cash dividends to fund current operations. Accordingly, the fair value of the stock as of August 31, 2015 and 2014 is \$135,285 and \$105,876, respectively, and has been recorded as permanently restricted net assets.

Pooled Income Fund

The Pooled Income Fund is comprised of donated mutual funds pursuant to a split interest agreement with the donors. The mutual funds are treated as donor-restricted net assets to provide long-range support for HLAA. These investments revert to HLAA at the death of the donors.

Variable Annuity Contracts

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

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

Fair Value Measurements

HLAA applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value on the financial statements on a recurring basis. This application has no material impact on HLAA's financial statements.

Other Investments

Other investments represent whole life insurance policies with Massachusetts Mutual Life Insurance Company owned by HLAA. All premiums are paid by the insured. Upon death of the insured, HLAA will receive a lump-sum distribution. The policies have been recorded at their cash surrender value and classified as other assets in the accompanying financial statements.

Split-Interest Agreements

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

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

Annuities Payable

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

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, 2015

(with comparative information for the year ended August 31, 2014)

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

Classification of Net Assets

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

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

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

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

Revenue Recognition

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

Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets at their fair value. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-Kind Contributions

HLAA at times receives services and/or supplies donated from vendors and suppliers that contract services with HLAA. HLAA did not receive any in-kind contributions during 2015 and 2014.

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

Functional Allocation of Expenses

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

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

Estimates

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

Summarized Information

The financial statements include certain summarized comparative information in total but not by each class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended August 31, 2014 from which the summarized information was derived.

Reclassification

Certain 2014 financial statement amounts have been reclassified to conform to the 2015 presentation.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at August 31, 2015 and 2014 consisted of the following:

	2015	2014
Checking	\$ 164,339	\$ 337,293
Business money market	142,098	141,814
Cash fund in brokerage account	-	28,858
Petty cash	111	111
	<u>\$ 306,548</u>	<u>\$ 508,076</u>

The checking and money market accounts are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protector Corporation, respectively, up to \$250,000. HLAA had \$0 and \$44,221 of uninsured funds in its bank accounts as of August 31, 2015 and 2014, respectively.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

3. PROPERTY

A summary of information relative to property and depreciation for the years ended August 31, 2015 and 2014 is as follows:

	2015				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 15,751	\$ -	\$ 15,751	\$ -	3
Office equipment	347,345	59,796	336,967	10,378	3-5
Leasehold improvement	6,050	-	6,050	-	12
Equipment under capital lease	45,854	760	760	45,094	5
	<u>\$ 415,000</u>	<u>\$ 60,556</u>	<u>\$ 359,528</u>	<u>\$ 55,472</u>	
2014					
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 15,751	\$ -	\$ 15,751	\$ -	3
Office equipment	347,625	9,215	325,621	22,004	3-5
Leasehold improvement	6,050	-	6,050	-	12
	<u>\$ 369,426</u>	<u>\$ 9,215</u>	<u>\$ 347,422</u>	<u>\$ 22,004</u>	

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

4. INVESTMENTS

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

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

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that 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

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

4. INVESTMENTS (CONTINUED)

The following is a summary of the inputs used to value the investments as of August 31, 2015 and 2014.

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

4. INVESTMENTS (CONTINUED)

	2014			
	Fair Value	Level 1	Level 2	Level 3
Common stocks				
Basic materials	\$ 518	\$ 518	\$ -	\$ -
Consumer goods	149,929	149,929	-	-
Industrial goods	2,382	2,382	-	-
Technology	51	51	-	-
Mutual funds				
Large growth	23,575	23,575	-	-
Intermediate-term bond	41,843	41,843	-	-
Certificates of deposit	1,006,380	-	1,006,380	-
Variable annuity insurance contracts	8,865	-	-	8,865
	<u>\$ 1,233,543</u>	<u>\$ 218,298</u>	<u>\$ 1,006,380</u>	<u>\$ 8,865</u>

	2015	2014
Changes in Level 3 Category		
Beginning balance	\$ 8,865	\$ 7,703
Unrealized gains/(losses)	310	1,162
Ending balance	<u>\$ 9,175</u>	<u>\$ 8,865</u>

Investment income (loss) for the year ended August 31, 2015 and 2014 is as follows:

	2015	2014
Interest	\$ 2,090	\$ 3,295
Dividends	5,771	2,628
Unrealized gain (loss)	(89,588)	49,803
Management fee	(838)	(1,295)
	<u>\$ (82,565)</u>	<u>\$ 54,431</u>

Unrealized gain reported above of the variable annuity insurance contracts held at August 31, 2015 and 2014 is included in investment income on the accompanying statement of activities. Subsequent to the fiscal year end, unrealized losses on HLAA's investments were primarily caused due to market fluctuations within its portfolio. As of March 17, 2016, HLAA does not consider these investments to be other-than-temporarily impaired.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

5. DEFERRED REVENUE

Deferred revenue at August 31, 2015 and 2014 consists of the following:

	2015	2014
Corporate sponsor	\$ 73,521	\$ 78,750
Membership	119,649	132,097
Magazine	-	15,600
	<u>\$ 193,170</u>	<u>\$ 226,447</u>

6. RESTRICTIONS OF NET ASSETS

HAAA'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 State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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, 2015

(with comparative information for the year ended August 31, 2014)

6. RESTRICTIONS OF NET ASSETS (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. The Association expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Permanent Restrictions

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

As part of the Victor and Teru Matsui Fund, HLAA has received, and will continue to receive contributions that must be invested in perpetuity, but for which the related earnings thereon are temporarily restricted to fund certain annual expenses. Earnings on the Victor and Teru Matsui Fund are recorded as temporarily restricted for the funding of chapter-related matters until appropriated for spending by the Board of Trustees.

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

6. RESTRICTIONS OF NET ASSETS (CONTINUED)

As of August 31, 2015 and 2014, permanently restricted net asset balances consisted of the following:

	2015			Balance 8/31/2015
	Balance 8/31/2014	Interest/ Investment Income	Releases	
Endowment - ADM Shares	\$ 149,930	\$ (14,645)	\$ -	\$ 135,285
Victor and Teru Matsui Fund	12,705	-	-	12,705
Rocky and Ahme Stone Endowment Fund	113,515	5,964	-	119,479
	<u>\$ 276,150</u>	<u>\$ (8,681)</u>	<u>\$ -</u>	<u>\$ 267,469</u>
	2014			Balance 8/31/2014
	Balance 8/31/2013	Interest/ Investment Income	Releases	
Endowment - ADM Shares	\$ 105,877	\$ 44,053	\$ -	\$ 149,930
Victor and Teru Matsui Fund	12,705	-	-	12,705
Rocky and Ahme Stone Endowment Fund	108,348	5,167	-	113,515
	<u>\$ 226,930</u>	<u>\$ 49,220</u>	<u>\$ -</u>	<u>\$ 276,150</u>

Temporary Restrictions

As noted above, HLAA has received, and will continue to receive permanently restricted contributions as part of the Rocky and Ahme Stone Fund whose income is temporarily restricted to the funding of HLAA convention scholarship aid. In addition, HLAA has received, and will continue to receive contributions as part of the Victor and Teru Matsui Fund whose income is currently temporarily restricted to the funding of chapter-related matters.

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

6. RESTRICTIONS OF NET ASSETS (CONTINUED)

Temporary Restrictions (Continued)

As of August 31, 2015 and 2014, temporarily restricted net asset balances consisted of the following:

	2015			Balance 8/31/2015
	Balance 8/31/2014	Additions	Releases	
Pooled Income fund	\$ 89,353	\$ 1,260	\$ -	\$ 90,613
Hearing Loop Campaign	47,908	152,894	(56,698)	144,104
Consumer Technology Initiative	192,602	59,700	(161,608)	90,694
	<u>\$ 329,863</u>	<u>\$ 213,854</u>	<u>\$ (218,306)</u>	<u>\$ 325,411</u>
	2014			
	Balance 8/31/2013	Additions	Releases	Balance 8/31/2014
Walk Video	\$ 2,000	\$ -	\$ (2,000)	\$ -
CEA HAT Training	4,805	-	(4,805)	-
DVD	7,675	-	(7,675)	-
Chapters (Orange County)	14,049	-	(14,049)	-
Chapter Leadership Training	32,250	-	(32,250)	-
International Loop Conference	10,285	-	(10,285)	-
Pooled Income fund	82,654	6,699	-	89,353
Victor and Teru Matsui Fund	107	97	(204)	-
Endowment fund	-	826	(826)	-
Hearing Loop Campaign	48,182	61,284	(61,558)	47,908
Consumer Technology Initiative	-	233,350	(40,748)	192,602
	<u>\$ 202,007</u>	<u>\$ 302,256</u>	<u>\$ (174,400)</u>	<u>\$ 329,863</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

7. UNRESTRICTED NET ASSETS

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

Board-reserved unrestricted net assets accumulate from bequests and from other unusual and non-recurring income not associated with the day to day operations of HLAA. Operating unrestricted net assets accumulate from all other income net of expenses, and from amounts released from temporarily restricted net assets to unrestricted net assets.

Unrestricted net assets for fiscal year 2015 and 2014 are allocated as follows:

	2015		
	Operations	Board Reserved	Total
Unrestricted net assets, September 1, 2014	\$ 240,311	\$ 736,456	\$ 976,767
Activities during the fiscal year			
Bequests	-	5,000	5,000
Investment income (loss)	(69,180)	-	(69,180)
Release from temporarily restricted net assets	218,306	-	218,306
Excess of expenses over income	(418,435)	-	(418,435)
Unrestricted net assets, August 31, 2015	<u>\$ (28,998)</u>	<u>\$ 741,456</u>	<u>\$ 712,458</u>
	2014		
	Operations	Board Reserved	Total
Unrestricted net assets, September 1, 2013, restated	\$ 152,256	\$ 699,326	\$ 851,582
Activities during the fiscal year			
Bequests	-	37,130	37,130
Investment income	2,756	-	2,756
Release from temporarily restricted net assets	173,574	-	173,574
Excess of expenses over income	(88,275)	-	(88,275)
Unrestricted net assets, August 31, 2014	<u>\$ 240,311</u>	<u>\$ 736,456</u>	<u>\$ 976,767</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

8. DEFINED CONTRIBUTION PLAN

HLAA maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all employees with at least one year of service and requires participants to make a minimum deferral of 1% of their salary. HLAA contributed 3% on behalf of the eligible participants' contributions. Employer contributions to the plan were \$12,817 and \$12,627 for the year ended August 31, 2015 and 2014, respectively.

9. INCOME TAXES

HLAA is exempt from Federal income tax under the provisions of Section 501c(3) of the Internal Revenue Code, except that any unrelated business income is subject to Federal taxes. During the fiscal year ended August 31, 2015 and 2014, HLAA paid income taxes of \$2,730 and \$8,275 for unrelated business income in connection with their magazine advertising activities.

Management has analyzed the tax position taken and has concluded that as of August 31, 2015, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

In general, the tax years of 2012, 2013, and 2014 remain open under the statute of limitations and are subject to examination.

10. RELATED PARTIES

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

During fiscal year 2015, HLAA had agreements with certain local chapters and affiliates to conduct local Walks 4 Hearing fundraising events in numerous cities across the country. As part of these agreements, HLAA and the local chapters and affiliates shared in the donations raised from the Walks in accordance with the agreement with each entity receiving 50% of the funds raised. As of August 31, 2015, HLAA's share of from these Walks totaled \$632,847 with a corresponding receivable of \$46,281. In addition, HLAA incurred expenses in providing assistance to the Walks through the use of its website and the disbursement of promotional material and event coordination with the local chapters and affiliates for which no amounts were charged.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

11. COMMITMENTS

Office Lease

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

Future minimum lease payments required under the lease as follows as of August 31, 2015:

Year ending August 31,	
2016	\$ 144,014
2017	149,774
2018	155,765
2019	161,996
2020	<u>139,467</u>
	<u>\$ 751,016</u>

Rent expense for the year ended August 31, 2015 and 2014 totaled \$141,395 and \$136,754, respectively.

Capital Lease

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2015

(with comparative information for the year ended August 31, 2014)

11. COMMITMENTS (CONTINUED)

Capital Lease (Continued)

Payments under the capital lease are due as follows:

For the fiscal year ending	Total Payment	Interest Portion	Net
2016	\$ 9,468	\$ 614	\$ 8,854
2017	9,468	480	8,988
2018	9,468	344	9,124
2019	9,468	205	9,263
2020	8,679	65	8,614
	<u>\$ 46,551</u>	<u>\$ 1,708</u>	<u>\$ 44,843</u>

Future Meeting Sites

HLAA entered into several agreements for future meeting sites with various hotels. Had HLAA cancelled these contracts as of August 31, 2015, it would have been liable for cancellation fees up to \$489,249.

12. SUBSEQUENT EVENTS

In preparing these financial statements, HLAA has evaluated events and transactions for potential recognition or disclosure through March 17, 2016, the date the financial statements were available to be issued.