

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

**FINANCIAL STATEMENTS**

**Year Ended August 31, 2016**

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

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Hearing Loss Association of America (a nonprofit organization)(the Association), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

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

## **Report on Summarized Comparative Information**

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

*Renner & Company, CPA, PC*

Alexandria, Virginia  
February 10, 2017

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

**STATEMENT OF FINANCIAL POSITION**

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

**ASSETS**

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

**LIABILITIES AND NET ASSETS**

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

See Notes to Financial Statements.

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

**STATEMENT OF ACTIVITIES**

**Year ended August 31, 2016**

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

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

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

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

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

See Notes to Financial Statements

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended August 31, 2016

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

See Notes to Financial Statements



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

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

See Notes to Financial Statements.

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

**STATEMENT OF CASH FLOWS**

**Year ended August 31, 2016**

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

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

See Notes to Financial Statements.

# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

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

#### Organization

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

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

#### Basis of Accounting

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

#### Cash and Cash Equivalents

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

#### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. HLAA maintains an allowance for doubtful accounts for estimated losses that may result from the inability of advertisers or others to make payments. Such allowance is based on several factors, including, but not limited to, historical experience and the financial condition of the payee. As of August 31, 2016 and 2015, HLAA did not have a balance in the allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

#### Property

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

# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

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

#### Investments

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

#### Common Stock

HLAA received a stock gift which the donors have specified that the stock and any stock dividends remain as stock and not be sold. The gift is recorded as a permanently restricted asset. Under the agreement, HLAA is permitted to use any cash dividends to fund current operations. Accordingly, the fair value of the stock as of August 31, 2016 and 2015 is \$131,586 and \$135,285, respectively, and has been recorded as permanently restricted net assets.

#### Pooled Income Fund

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

#### Variable Annuity Contracts

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

#### Fair Value Measurements

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

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

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

##### Other Investments

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

##### Deferred Rent

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

##### Classification of Net Assets

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

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

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

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

##### Revenue Recognition

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

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

# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

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

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

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

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

#### **Functional Allocation of Expenses**

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

#### **Estimates**

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

#### **Reclassifications**

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

#### **Comparative Financial Information**

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

# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

### 2. CASH

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

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

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

### 3. PROPERTY

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

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

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

#### 4. INVESTMENTS

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

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

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

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

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



# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

### 4. INVESTMENTS (CONTINUED)

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2016**

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

**4. INVESTMENTS (CONTINUED)**

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2016**

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

**4. INVESTMENTS (CONTINUED)**

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

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

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

**5. DEFERRED REVENUE**

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

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

# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

### 6. RESTRICTIONS OF NET ASSETS

HLAA's investment funds consist of individual funds established for a variety of purposes. As required under generally accepted accounting principles, net assets associated with the investment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, HLAA has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, HLAA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by HLAA in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, HLAA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of HLAA, and (7) HLAA's investment policies.

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

# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

### 6. RESTRICTIONS OF NET ASSETS (CONTINUED)

#### Permanent Restrictions

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2016**

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

**6. RESTRICTIONS OF NET ASSETS (CONTINUED)**

**Permanent Restrictions (Continued)**

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

**Temporary Restrictions**

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

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

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

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

# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

### 6. RESTRICTIONS OF NET ASSETS (CONTINUED)

#### Temporary Restrictions (Continued)

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

### 7. UNRESTRICTED NET ASSETS

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

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

Unrestricted net assets for fiscal year 2016 and 2015 are allocated as follows:

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

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

#### 7. UNRESTRICTED NET ASSETS (CONTINUED)

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

#### 8. DEFINED CONTRIBUTION PLAN

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

#### 9. INCOME TAXES

HLAA is exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, except that any unrelated business income is subject to Federal taxes. During the fiscal years ended August 31, 2016 and 2015, HLAA paid income taxes of \$781 and \$2,730 for unrelated business income in connection with their magazine advertising activities.

Management has analyzed the tax position taken and has concluded that as of August 31, 2016, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

#### 10. RELATED PARTIES

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



# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

### 10. RELATED PARTIES (CONTINUED)

During fiscal year 2016, HLAA had agreements with certain local chapters and affiliates to conduct local Walks 4 Hearing fundraising events in numerous cities across the country. As part of these agreements, HLAA and the local chapters and affiliates shared in the donations raised from the Walks in accordance with the agreement with each entity receiving 50% of the funds raised. As of August 31, 2016, HLAA's share of from these Walks totaled \$482,438 with a corresponding receivable of \$79,889 and payable of \$75,061. In addition, HLAA incurred expenses in providing assistance to the Walks through the use of its website and the disbursement of promotional material and event coordination with the local chapters and affiliates for which no amounts were charged.

### 11. JOINT COST ALLOCATION

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

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

### 12. COMMITMENTS

#### Office Lease

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

Future minimum lease payments required under the lease are as follows as of August 31, 2016:

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

# HEARING LOSS ASSOCIATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2016

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

### 12. COMMITMENTS (CONTINUED)

#### Office Lease (Continued)

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

#### Capital Lease

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

Payments under the capital lease are due as follows:

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

#### Future Meeting Sites

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

### 13. SUBSEQUENT EVENTS

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