

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

FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Summarized Comparative Information for year ended August 31, 2017)

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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 (the Association), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of August 31, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Reiner and Company, CPA, P.C.

Alexandria, Virginia
January 31, 2019

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2018

(with Comparative Information as of August 31, 2017)

ASSETS

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 810,893 | \$ 412,247 |
| Accounts receivable | 74,074 | 102,662 |
| Prepaid expenses | 24,565 | 20,404 |
| TOTAL CURRENT ASSETS | <u>909,532</u> | <u>535,313</u> |
| PROPERTY, at cost, net | <u>17,470</u> | <u>26,585</u> |
| OTHER ASSETS | | |
| Investments | 1,929,100 | 1,414,203 |
| Other investments | - | 43,145 |
| Security deposit | 2,325 | 325 |
| TOTAL OTHER ASSETS | <u>1,931,425</u> | <u>1,457,673</u> |
| TOTAL ASSETS | <u>\$ 2,858,427</u> | <u>\$ 2,019,571</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 157,031 | \$ 159,724 |
| Deferred revenue | 192,658 | 188,422 |
| Deferred rent | 20,822 | 14,592 |
| Capital lease liability | 9,263 | 9,124 |
| TOTAL CURRENT LIABILITIES | <u>379,774</u> | <u>371,862</u> |
| OTHER LIABILITIES | | |
| Deferred rent, net of current portion | 21,822 | 42,644 |
| Capital lease liability, net of current portion | 8,614 | 17,877 |
| TOTAL OTHER LIABILITIES | <u>30,436</u> | <u>60,521</u> |
| TOTAL LIABILITIES | <u>410,210</u> | <u>432,383</u> |
| NET ASSETS | | |
| Without Donor Restriction | 2,045,709 | 1,216,897 |
| With Donor Restriction | 402,508 | 370,291 |
| TOTAL NET ASSETS | <u>2,448,217</u> | <u>1,587,188</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,858,427</u> | <u>\$ 2,019,571</u> |

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES

Year Ended August 31, 2018

(with Summarized Comparative Information for the year ended August 31, 2017)

| | 2018 | | 2017 | |
|--|------------------------------|---------------------------|---------------------|---------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Total |
| SUPPORT AND REVENUE | | | | |
| Contributions | \$ 1,466,175 | \$ 2,440 | \$ 1,468,615 | \$ 984,502 |
| Walk4Hearing | 527,774 | - | 527,774 | 546,839 |
| Conferences, meetings, and seminars | 245,369 | - | 245,369 | 237,874 |
| Publication and advertising | 175,134 | - | 175,134 | 182,361 |
| Grants and contracts | 171,204 | - | 171,204 | 118,526 |
| Membership dues | 148,821 | - | 148,821 | 151,943 |
| Investment income | 96,155 | 30,395 | 126,550 | 95,298 |
| Consulting income | 29,850 | - | 29,850 | - |
| Other | 12,434 | - | 12,434 | 4,142 |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose restrictions | 618 | (618) | - | - |
| TOTAL SUPPORT AND REVENUE | 2,873,534 | 32,217 | 2,905,751 | 2,321,485 |
| EXPENSES | | | | |
| Program | 1,765,029 | - | 1,765,029 | 1,537,403 |
| Management and general | 117,323 | - | 117,323 | 203,894 |
| Fundraising | 162,370 | - | 162,370 | 253,240 |
| TOTAL EXPENSES | 2,044,722 | - | 2,044,722 | 1,994,537 |
| CHANGE IN NET ASSETS | 828,812 | 32,217 | 861,029 | 326,948 |
| NET ASSETS, beginning of year | 1,216,897 | 370,291 | 1,587,188 | 1,260,240 |
| NET ASSETS, end of year | \$ 2,045,709 | \$ 402,508 | \$ 2,448,217 | \$ 1,587,188 |

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES

Year Ended August 31, 2018

(with Summarized Comparative Information for the year ended August 31, 2017)

| | PROGRAM SERVICES | | | | | | | |
|---------------------------------|-------------------|--|----------------------------------|-------------------|----------------------|------------------|--|---------------------|
| | Convention | Chapters, State Organizations, Members | Web, Magazine, Publication | Advocacy | RERC/HAT Training | LOOPS | Call to Action Awareness Program | Program Total |
| Salaries | \$ 103,141 | \$ 161,021 | \$ 147,073 | \$ 110,980 | \$ 65,950 | \$ - | \$ 74,110 | \$ 662,275 |
| Employer payroll tax | 8,745 | 13,653 | 12,470 | 9,410 | 5,591 | - | 6,283 | 56,152 |
| Health insurance | 6,027 | 9,410 | 8,594 | 6,485 | 3,854 | - | 4,330 | 38,700 |
| Life/LTD insurance | 1,252 | 1,956 | 1,787 | 1,348 | 802 | - | 900 | 8,045 |
| Employer 403b contributions | 3,619 | 5,650 | 5,160 | 3,894 | 2,314 | - | 2,600 | 23,237 |
| Consulting | 3,517 | 12,827 | 20,753 | - | - | 25,000 | 11,860 | 73,957 |
| Awards | - | 1,506 | - | - | - | - | - | 1,506 |
| Bad debt | - | - | - | - | - | - | - | - |
| Bank and credit card fees | 1,510 | 10,982 | 2,110 | 1,592 | 946 | - | 11,902 | 29,042 |
| Blackbaud/software | 6,923 | 24,013 | - | - | - | - | 21,362 | 52,298 |
| Board-related expense | 2,289 | 3,574 | 3,263 | 2,463 | 1,464 | - | 1,645 | 14,698 |
| Captioning/signing | 19,100 | 1,453 | - | - | 2,535 | 338 | 1,197 | 24,623 |
| Commissions | 19,404 | - | 31,025 | - | - | - | - | 50,429 |
| Decorations | 10,000 | - | - | - | - | - | - | 10,000 |
| Depreciation | 1,201 | 1,875 | 1,712 | 1,292 | 768 | - | 863 | 7,711 |
| Design and typesetting services | 6,216 | 2,680 | 30,510 | - | - | 2,150 | 725 | 42,281 |
| Dues and subscriptions | - | - | 50 | 1,615 | - | 450 | - | 2,115 |
| Equipment rentals | 72,708 | 707 | - | - | 1,235 | - | 884 | 75,534 |
| Event-related | 162,552 | 459 | - | - | 13,857 | 6,793 | 573 | 184,234 |
| General insurance | 1,115 | 1,741 | 1,590 | 1,200 | 713 | - | 801 | 7,160 |
| Interest | - | - | - | - | - | - | - | - |
| IT expenses | 1,432 | 2,234 | 2,041 | 1,539 | 915 | - | 1,028 | 9,189 |
| Legal and Accounting | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - |
| Miscellaneous licenses/taxes | - | 4,787 | - | - | - | - | - | 4,787 |
| Office rent | 18,597 | 29,033 | 26,518 | 20,011 | 11,892 | - | 13,362 | 119,413 |
| Payroll Services | - | - | - | - | - | - | - | - |
| Postage/shipping/courier | 1,321 | 3,018 | 16,801 | 1,362 | 1,726 | - | 2,185 | 26,413 |
| Printing/paper/envelopes | 5,216 | 13,114 | 55,337 | - | - | 1,467 | 15,147 | 90,281 |
| Public relations/promotional | 18,467 | 7,745 | - | - | - | - | 9,682 | 35,894 |
| Repairs and maintenance | - | - | - | - | - | - | - | - |
| Scholarships-convention | 8,025 | - | - | - | - | - | - | 8,025 |
| Small office equipment/software | - | 3,286 | 66 | - | - | - | 484 | 3,836 |
| Staff training & recruitment | - | - | - | - | - | - | - | - |
| State coordinator | - | 616 | - | - | - | - | - | 616 |
| Storage | - | - | - | - | - | - | - | - |
| Supplies | 880 | 3,395 | 21 | - | 2,448 | 167 | 1,865 | 8,776 |
| Telephone | 1,515 | 2,531 | 2,600 | 1,630 | 968 | - | 1,296 | 10,540 |
| Travel, meals, and lodging | 24,148 | 6,718 | 60 | 1,650 | 911 | 26,642 | 7,738 | 67,867 |
| UBIT expense | - | - | - | - | - | - | - | - |
| Unified membership program | - | 9,560 | - | - | - | - | - | 9,560 |
| Volunteer recognition | - | - | - | - | - | - | - | - |
| Web hosting | - | 8 | 5,817 | - | - | - | 10 | 5,835 |
| Total | \$ 508,920 | \$ 339,552 | \$ 375,358 | \$ 166,471 | \$ 118,889 | \$ 63,007 | \$ 192,832 | \$ 1,765,029 |

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2018

(with Summarized Comparative Information for the year ended August 31, 2017)

| | 2018 | | | | | 2017 | |
|---------------------------------|---------------------|-----------------------------|------------------|-------------------|----------------------|---------------------|---------------------|
| | Program Total | General & Administrative | Fundraising | | | Total | Total |
| | | | Walk4Hearing | Development | Total Fundraising | | |
| Salaries | \$ 662,275 | \$ 40,432 | \$ 14,822 | \$ 65,439 | \$ 80,261 | \$ 782,968 | \$ 775,429 |
| Employer payroll tax | 56,152 | 3,428 | 1,257 | 5,548 | 6,805 | 66,385 | 64,270 |
| Health insurance | 38,700 | 5,363 | 866 | 3,824 | 4,690 | 48,753 | 41,264 |
| Life/LTD insurance | 8,045 | 491 | 180 | 794 | 974 | 9,510 | 8,930 |
| Employer 403b contributions | 23,237 | 1,419 | 520 | 2,296 | 2,816 | 27,472 | 18,992 |
| Consulting | 73,957 | 630 | 2,372 | 258 | 2,630 | 77,217 | 35,171 |
| Awards | 1,506 | - | - | - | - | 1,506 | 1,770 |
| Bad debt | - | - | - | - | - | - | 594 |
| Bank and credit card fees | 29,042 | 583 | 2,380 | 1,042 | 3,422 | 33,047 | 32,665 |
| Blackbaud/software | 52,298 | 7,942 | 4,272 | 6,923 | 11,195 | 71,435 | 80,660 |
| Board-related | 14,698 | 2,614 | 329 | 1,452 | 1,781 | 19,093 | 17,784 |
| Captioning/signing | 24,623 | 1,591 | 239 | 190 | 429 | 26,643 | 30,453 |
| Commissions | 50,429 | - | - | - | - | 50,429 | 53,696 |
| Decorations | 10,000 | - | - | - | - | 10,000 | 21,205 |
| Depreciation | 7,711 | 469 | 173 | 762 | 935 | 9,115 | 15,922 |
| Design and typesetting services | 42,281 | 800 | 145 | 1,000 | 1,145 | 44,226 | 26,365 |
| Dues and subscriptions | 2,115 | 73 | - | 2,155 | 2,155 | 4,343 | 5,219 |
| Equipment rentals | 75,534 | 4,713 | 177 | - | 177 | 80,424 | 81,421 |
| Event-related | 184,234 | - | 115 | - | 115 | 184,349 | 138,427 |
| General insurance | 7,160 | 309 | 160 | 707 | 867 | 8,336 | 8,043 |
| Interest expense | - | 344 | - | - | - | 344 | 866 |
| IT expenses | 9,189 | 561 | 206 | 909 | 1,115 | 10,865 | 10,407 |
| Legal and accounting | - | 17,843 | - | - | - | 17,843 | 16,434 |
| Miscellaneous | - | 17 | - | - | - | 17 | (677) |
| Miscellaneous licenses/taxes | 4,787 | 3,575 | - | - | - | 8,362 | 8,761 |
| Office rent | 119,413 | 7,291 | 2,672 | 11,799 | 14,471 | 141,175 | 138,428 |
| Payroll services | - | 2,598 | - | - | - | 2,598 | 1,594 |
| Postage/shipping/courier | 26,413 | 1,984 | 437 | 5,654 | 6,091 | 34,488 | 34,058 |
| Printing/paper/envelopes | 90,281 | 1,479 | 3,029 | 11,527 | 14,556 | 106,316 | 106,386 |
| Public relations/promotional | 35,894 | - | 1,936 | 110 | 2,046 | 37,940 | 65,450 |
| Repairs and maintenance | - | 235 | - | - | - | 235 | 1,000 |
| Scholarships-convention | 8,025 | - | - | - | - | 8,025 | 9,335 |
| Small office equipment/software | 3,836 | - | 97 | 99 | 196 | 4,032 | 6,847 |
| Staff training and recruitment | - | 118 | - | - | - | 118 | 3,175 |
| State coordinator | 616 | - | - | - | - | 616 | 1,068 |
| Storage | - | 3,575 | - | - | - | 3,575 | 5,086 |
| Supplies | 8,776 | 3,009 | 373 | - | 373 | 12,158 | 15,236 |
| Telephone | 10,540 | 597 | 259 | 1,316 | 1,575 | 12,712 | 15,485 |
| Travel, meals, and lodging | 67,867 | 3,240 | 1,548 | - | 1,548 | 72,655 | 81,548 |
| UBIT expense | - | - | - | - | - | - | 31 |
| Unified membership program | 9,560 | - | - | - | - | 9,560 | 14,010 |
| Volunteer recognition | - | - | - | - | - | - | 50 |
| Web hosting | 5,835 | - | 2 | - | 2 | 5,837 | 1,679 |
| Total | \$ 1,765,029 | \$ 117,323 | \$ 38,566 | \$ 123,804 | \$ 162,370 | \$ 2,044,722 | \$ 1,994,537 |

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from operations | | |
| Revenue | \$ 2,812,025 | \$ 2,252,869 |
| Investment income | 35,317 | 24,756 |
| | <u>2,847,342</u> | <u>2,277,625</u> |
| Total cash received from operations | | |
| Cash disbursed by operations | | |
| Payments to employees and suppliers | 2,058,709 | 2,136,025 |
| Interest paid | 344 | 866 |
| Income taxes paid | - | 31 |
| | <u>2,059,053</u> | <u>2,136,922</u> |
| Total cash disbursed from operations | | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>788,289</u> | <u>140,703</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 405,158 | 330,926 |
| Purchase of investments | (828,822) | (346,550) |
| Distribution of cash surrender value of life insurance policy (other investments) | 43,145 | - |
| | <u>(380,519)</u> | <u>(15,624)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment on capital lease | (9,124) | (8,988) |
| | <u>(9,124)</u> | <u>(8,988)</u> |
| NET INCREASE IN CASH | 398,646 | 116,091 |
| CASH, beginning of year | <u>412,247</u> | <u>296,156</u> |
| CASH, end of year | <u><u>\$ 810,893</u></u> | <u><u>\$ 412,247</u></u> |
| NON-CASH INVESTING ACTIVITIES | | |
| Unrealized gain in market value of investments | \$ (86,878) | \$ (80,533) |
| Increase in investment value | 86,878 | 80,533 |
| | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------|--------------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CHANGE IN NET ASSETS | <u>\$ 861,029</u> | <u>\$ 326,948</u> |
| ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Depreciation | 9,115 | 15,922 |
| Non-cash occupancy costs | (14,592) | (8,600) |
| Unrealized and realized gain on investments | (91,233) | (78,380) |
| Increase in cash surrender value of life insurance (other investments) | - | (11,672) |
| NET ADJUSTMENTS | <u>(96,710)</u> | <u>(82,730)</u> |
| CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH | | |
| ASSETS | | |
| Accounts receivable | 28,588 | (13,718) |
| Prepaid expenses | (4,162) | 5,277 |
| Security deposit | (2,000) | - |
| | <u>22,426</u> | <u>(8,441)</u> |
| LIABILITIES | | |
| Accounts payable and accrued expenses | (2,692) | (154,984) |
| Deferred revenue | 4,236 | 59,910 |
| | <u>1,544</u> | <u>(95,074)</u> |
| NET CHANGES IN ASSETS AND LIABILITIES | <u>23,970</u> | <u>(103,515)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 788,289</u></u> | <u><u>\$ 140,703</u></u> |

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

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 is the nation's foremost membership and advocacy organization for people with hearing loss. HLAA opens the world of communication to people with hearing loss through information, education, support and advocacy.

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, 2018 and 2017, cash consists of a checking account and a money market account. As of August 31, 2018 and 2017, there were no cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Bills are considered due within 30 days of invoice date. 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, 2018 and 2017, HLAA did not have a balance in the allowance for doubtful accounts. Balances are written off that are outstanding after management has made reasonable collection effort.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

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

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.

Investments

Investments are stated at fair value. Donated investments are reflected as contributions at their fair values at date of receipt. Investments in certificates of deposits are carried at cost, which approximates fair value. Income earned from investments, including realized and unrealized gains and losses, is recorded in the net asset class owning the assets, except donor restricted investments, including realized and unrealized gains and losses, which are recorded as net assets with donor restrictions and then reclassified to net assets without donor restrictions upon appropriation by the Board. Certain net assets with donor restrictions have donor imposed restrictions such that only investment income is available for use by HLAA with unrealized gains and losses being retained in net assets with donor restrictions.

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 net asset with donor restriction. 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, 2018 and 2017 is \$151,553 and \$124,249, respectively, and has been recorded as net assets with donor restriction.

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 net assets with donor restrictions to provide long-range support for HLAA. These investments revert to HLAA at the death of the donors.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

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

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

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.

Classes of Assets

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

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

Classes of Assets (Continued)

Without Donor Restriction

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

With Donor Restriction

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

Investment gains and losses earned on with donor restricted funds held by HLAA are recorded as an increase or decrease in net assets without donor restriction.

Adoption of New Accounting Standard

HLAA has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The change has been applied as of August 31, 2017 with no effect on beginning net assets.

Revenue Recognition

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

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

1. ORGANIZATION, PURPOSE AND 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. There were no donated services received during FY 2018 and 2017.

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

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, employer payroll tax, health insurance, life/LTD insurance, employer 403b contributions, consulting, bank and credit card fees, blackbaud /software expense, board related expenses, captioning/signing, depreciation, design and typesetting, dues and subscriptions, equipment rentals, event-related expenses, general insurance, IT, miscellaneous licenses/taxes, office rent, postage/shipping/courier, printing/paper/envelopes, public relations/promotional, small office equipment/software, supplies, telephone, travel/meals/lodging, and web hosting among others, have been allocated among the program, general and administrative, and fundraising functions based on level of effort.

Estimates

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

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with HLAA's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

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

Liquidity

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

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

HLAA's financial assets available within one year to meet cash needs for general expenditures through August 31, 2019 are as follows:

| | |
|---|----------------------------|
| Financial Assets | |
| Cash | \$ 810,893 |
| Investments | 1,929,100 |
| Accounts receivable | 74,074 |
| Total Financial assets | <u>\$ 2,814,067</u> |
| Less amounts not available within one year | |
| Purpose restricted net assets | (402,508) |
| Board designated net assets | <u>(5,746)</u> |
| Financial assets available within one year to meet cash needs for general expenditures within one year | <u><u>\$ 2,405,813</u></u> |

2. CASH

Cash at August 31, 2018 and 2017 consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|-----------------------|--------------------------|--------------------------|
| Checking | \$ 667,362 | \$ 269,431 |
| Business money market | <u>143,531</u> | <u>142,816</u> |
| | <u><u>\$ 810,893</u></u> | <u><u>\$ 412,247</u></u> |

The checking and money market accounts are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protector Corporation, respectively, up to \$250,000. As of August 31, 2018 and 2017, HLAA's uninsured balances per bank, including money market accounts, totaled \$389,276 and \$0, respectively.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

3. PROPERTY

A summary of information relative to property and depreciation for the years ended August 31, 2018 and 2017 is as follows:

| | 2018 | | | | Useful life (years) |
|----------------------------------|-------------------|-------------------------|-----------------------------|------------------|------------------------|
| | Cost | Depreciation Expense | Accumulated Depreciation | Book Value | |
| Furniture | \$ 15,751 | \$ - | \$ 15,751 | \$ - | 3 |
| Office equipment | 347,625 | - | 347,625 | - | 3-5 |
| Leasehold improvement | 6,050 | - | 6,050 | - | 12 |
| Equipment under capital lease | 45,574 | 9,115 | 28,104 | 17,470 | 5 |
| | <u>\$ 415,000</u> | <u>\$ 9,115</u> | <u>\$ 397,530</u> | <u>\$ 17,470</u> | |

| | 2017 | | | | Useful life (years) |
|----------------------------------|-------------------|-------------------------|-----------------------------|------------------|------------------------|
| | Cost | Depreciation Expense | Accumulated Depreciation | Book Value | |
| Furniture | \$ 15,751 | \$ - | \$ 15,751 | \$ - | 3 |
| Office equipment | 347,625 | 6,808 | 347,625 | - | 3-5 |
| Leasehold improvement | 6,050 | - | 6,050 | - | 12 |
| Equipment under capital lease | 45,574 | 9,114 | 18,989 | 26,585 | 5 |
| | <u>\$ 415,000</u> | <u>\$ 15,922</u> | <u>\$ 388,415</u> | <u>\$ 26,585</u> | |

4. INVESTMENTS

In accordance with the accounting standards for fair value measurements for those assets and liabilities which are measured at fair value on a recurring basis, 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.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

4. INVESTMENTS (CONTINUED)

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.

The following is a summary of the inputs used to value the investments as of August 31, 2018 and 2017:

| | 2018 | | | |
|------------------------------|---------------------|---------------------|-------------------|-------------|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Money market funds | \$ 120,941 | \$ 120,941 | \$ - | \$ - |
| Common stocks | | | | |
| Consumer goods | 151,553 | 151,553 | - | - |
| Mutual funds | | | | |
| Large blend | 399,824 | 399,824 | - | - |
| Large growth | 12,576 | 12,576 | - | - |
| Intermediate term bond | 39,728 | 39,728 | - | - |
| Mid-cap blend | 73,383 | 73,383 | - | - |
| Small blend | 77,363 | 77,363 | - | - |
| Diversified emerging markets | 153,026 | 153,026 | - | - |
| Foreign large growth | 260,445 | 260,445 | - | - |
| Certificates of deposit | 640,261 | - | 640,261 | - |
| | <u>\$ 1,929,100</u> | <u>\$ 1,288,839</u> | <u>\$ 640,261</u> | <u>\$ -</u> |

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

4. INVESTMENTS (CONTINUED)

| | 2017 | | | |
|--------------------------------------|---------------------|-------------------|-------------------|-----------------|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Money market funds | \$ 40,465 | \$ 40,465 | \$ - | \$ - |
| Common stocks | | | | |
| Consumer goods | 124,249 | 124,249 | - | - |
| Mutual funds | | | | |
| Large blend | 294,029 | 294,029 | - | - |
| Large growth | 16,336 | 16,336 | - | - |
| Intermediate term bond | 41,305 | 41,305 | - | - |
| Mid-cap blend | 57,828 | 57,828 | - | - |
| Small blend | 57,881 | 57,881 | - | - |
| Diversified emerging markets | 124,793 | 124,793 | - | - |
| Foreign large growth | 209,326 | 209,326 | - | - |
| Certificates of deposit | 438,543 | - | 438,543 | - |
| Variable annuity insurance contracts | 9,448 | - | - | 9,448 |
| | <u>\$ 1,414,203</u> | <u>\$ 966,212</u> | <u>\$ 438,543</u> | <u>\$ 9,448</u> |

Changes in Level 3 Category

| | 2018 | 2017 |
|----------------------------------|-------------|-----------------|
| Beginning balance | \$ 9,448 | \$ 8,766 |
| Unrealized gains/(losses) | - | 682 |
| Distribution of insurance policy | (9,448) | - |
| Ending balance | <u>\$ -</u> | <u>\$ 9,448</u> |

Investment income for the year ended August 31, 2018 and 2017 is as follows:

| | 2018 | 2017 |
|------------------------------|-------------------|------------------|
| Interest | \$ 18,131 | \$ 578 |
| Dividends | 25,150 | 24,178 |
| Unrealized and realized gain | 91,233 | 78,381 |
| Management fee | (7,964) | (7,839) |
| | <u>\$ 126,550</u> | <u>\$ 95,298</u> |

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

4. INVESTMENTS (CONTINUED)

Unrealized gain reported above of the variable annuity insurance contracts held at August 31, 2018 and 2017 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 January 31, 2019, HLAA does not consider these investments to be other-than-temporarily impaired.

5. DEFERRED REVENUE

Deferred revenue at August 31, 2018 and 2017 consists of the following:

| | 2018 | 2017 |
|--------------------|-------------------|-------------------|
| Membership | \$ 119,815 | \$ 137,120 |
| Foundation sponsor | 72,843 | 51,302 |
| | <u>\$ 192,658</u> | <u>\$ 188,422</u> |

6. NET ASSETS WITH DONOR RESTRICTION

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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, HLAA classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets without donor restriction is classified as net assets with donor restriction until those amounts are appropriated for expenditure by HLAA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

6. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

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.

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 restricted to fund certain annual expenses. Earnings on the Rocky and Ahme Stone Fund are recorded as with donor restriction.

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

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 without donor restriction net assets, and can be used by HLAA for operations. Dividends in stock each year are to be retained as stock.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

6. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

As of August 31, 2018 and 2017, net assets with donor restrictions consisted of the following:

| | 2018 | | | Balance August 31, 2018 |
|--|-------------------------------|--|--------------------|-------------------------------|
| | Balance August 31, 2017 | Contributions/ Investment Income | Releases | |
| Endowment - ADM Shares | \$ 124,249 | \$ 27,304 | \$ - | \$ 151,553 |
| Victor and Teru Matsui restricted gift | 12,705 | - | - | 12,705 |
| Rocky and Ahme Stone Endowment Fund | 132,875 | 2,440 | (500) | 134,815 |
| Pooled income fund | 95,629 | 3,091 | - | 98,720 |
| Wallhagen restricted gift | 4,833 | - | (118) | 4,715 |
| | <u>\$ 370,291</u> | <u>\$ 32,835</u> | <u>\$ (618)</u> | <u>\$ 402,508</u> |
| | 2017 | | | |
| | Balance August 31, 2016 | Contributions/ Investment Income | Releases | Balance August 31, 2017 |
| Endowment - ADM Shares | \$ 131,586 | \$ (7,337) | \$ - | \$ 124,249 |
| Victor and Teru Matsui restricted gift | 12,705 | - | - | 12,705 |
| Rocky and Ahme Stone Endowment Fund | 126,011 | 7,364 | (500) | 132,875 |
| Pooled income fund | 94,823 | 806 | - | 95,629 |
| Wallhagen restricted gift | 8,008 | - | (3,175) | 4,833 |
| Hearing loop campaign | 19,715 | - | (19,715) | - |
| | <u>\$ 392,848</u> | <u>\$ 833</u> | <u>\$ (23,390)</u> | <u>\$ 370,291</u> |

As noted above, HLAA has received and will continue to receive donor restricted contributions as part of the Rocky and Ahme Stone Fund whose income is donor restricted to the funding of HLAA convention scholarship aid.

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

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

Net assets without donor restriction for fiscal year 2018 and 2017 are allocated as follows:

| | 2018 | | |
|--|---------------------|-------------------|---------------------|
| | Operations | Board Reserved | Total |
| Net assets without donor restriction, August 31, 2017 | \$ 331,568 | \$ 885,329 | \$ 1,216,897 |
| Activities during the fiscal year | | | |
| Bequests | - | 571,359 | 571,359 |
| Investment income | 96,155 | - | 96,155 |
| Website and development | - | (28,583) | (28,583) |
| Release from restricted or board designated net assets | (618) | (1,422,359) | (1,422,977) |
| Excess of expenses over income | 1,612,858 | - | 1,612,858 |
| Net assets without donor restriction, August 31, 2018 | <u>\$ 2,039,963</u> | <u>\$ 5,746</u> | <u>\$ 2,045,709</u> |
| | | | |
| | 2017 | | |
| | Operations | Board Reserved | Total |
| Net assets without donor restriction, August 31, 2016 | \$ 21,392 | \$ 846,000 | \$ 867,392 |
| Activities during the fiscal year | | | |
| Bequests | - | 55,000 | 55,000 |
| Investment income | 101,829 | - | 101,829 |
| Website and development | - | (15,671) | (15,671) |
| Release from restricted net assets | (22,890) | - | (22,890) |
| Excess of expenses over income | 231,237 | - | 231,237 |
| Net assets without donor restriction, August 31, 2017 | <u>\$ 331,568</u> | <u>\$ 885,329</u> | <u>\$ 1,216,897</u> |

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

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 \$27,472 and \$18,991 for the years ended August 31, 2018 and 2017, 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, 2018 and 2017, HLAA paid income taxes of \$0 and \$31 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, 2018, 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.

During fiscal year 2018, HLAA had agreements with certain local chapters and affiliates to conduct local Walk4Hearing fundraising events in numerous cities across the country. As part of these agreements, 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 funds raised. As of August 31, 2018, HLAA's share of revenue from these Walks totaled \$527,774 with a corresponding receivable of \$56,174 and payable of \$55,284. As of August 31, 2017, HLAA's share of revenue from these Walks totaled \$546,839 with a corresponding receivable of \$70,724 and payable of \$53,896. 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, 2018

(with Comparative Information for the year ended August 31, 2017)

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:

| | <u>2018</u> | <u>2017</u> |
|-------------|-------------------|-------------------|
| Fundraising | \$ 36,427 | \$ 33,749 |
| Program | <u>327,839</u> | <u>303,752</u> |
| | <u>\$ 364,266</u> | <u>\$ 337,501</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, 2018:

| | |
|------------------------|-------------------|
| Year ending August 31, | |
| 2019 | \$ 161,996 |
| 2020 | <u>139,467</u> |
| | <u>\$ 301,463</u> |

Rent expense and storage expense for the years ended August 31, 2018 and 2017 totaled \$144,750 and \$143,515, respectively.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

(with Comparative Information for the year ended August 31, 2017)

12. COMMITMENTS (CONTINUED)

Capital Lease

HLAA 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, 2018 and 2017 was \$344 and \$480, respectively.

Payments under the capital lease are due as follows:

| For the fiscal year ending: | Total Payment | Interest Portion | Net |
|-----------------------------|------------------|---------------------|------------------|
| 2019 | \$ 9,468 | \$ 205 | \$ 9,263 |
| 2020 | 8,679 | 65 | 8,614 |
| | <u>\$ 18,147</u> | <u>\$ 270</u> | <u>\$ 17,877</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, 2018, it would have been liable for cancellation fees up to \$647,802.

13. SUBSEQUENT EVENTS

In preparing these financial statements, HLAA has evaluated events and transactions for potential recognition or disclosure through January 31, 2019, the date the financial statements were available to be issued.