

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

**FINANCIAL STATEMENTS**

**Year Ended August 31, 2019  
with Summarized Comparative Information for the year ended  
August 31, 2018**

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Alexandria, Virginia  
January 31, 2020

**HEARING LOSS ASSOCIATION OF AMERICA, INC.****STATEMENT OF FINANCIAL POSITION****August 31, 2019 (with Comparative Information as of August 31, 2018)****ASSETS**

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 721,484	\$ 810,893
Accounts receivable	94,588	74,074
Prepaid expenses	23,949	24,565
<b>TOTAL CURRENT ASSETS</b>	<u>840,021</u>	<u>909,532</u>
<b>PROPERTY, at cost, net</b>	<u>30,056</u>	<u>17,470</u>
<b>OTHER ASSETS</b>		
Investments	2,176,866	1,929,100
Security deposit	2,325	2,325
<b>TOTAL OTHER ASSETS</b>	<u>2,179,191</u>	<u>1,931,425</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,049,268</u>	<u>\$ 2,858,427</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 138,745	\$ 157,031
Deferred revenue	163,238	192,658
Deferred rent	21,822	20,822
Capital lease liability	8,614	9,263
<b>TOTAL CURRENT LIABILITIES</b>	<u>332,419</u>	<u>379,774</u>
<b>OTHER LIABILITIES</b>		
Deferred rent, net of current portion	-	21,822
Capital lease liability, net of current portion	-	8,614
<b>TOTAL OTHER LIABILITIES</b>	<u>-</u>	<u>30,436</u>
<b>TOTAL LIABILITIES</b>	<u>332,419</u>	<u>410,210</u>
<b>NET ASSETS</b>		
Without Donor Restriction	2,299,593	2,045,709
With Donor Restriction	417,256	402,508
<b>TOTAL NET ASSETS</b>	<u>2,716,849</u>	<u>2,448,217</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,049,268</u>	<u>\$ 2,858,427</u>

See Notes to Financial Statements.

**HEARING LOSS ASSOCIATION OF AMERICA, INC.****STATEMENT OF ACTIVITIES****Year Ended August 31, 2019 (with Summarized Comparative Information for the year ended August 31, 2018)**

	2019			2018
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,041,505	\$ 103,097	\$ 1,144,602	\$ 1,468,615
Walk4Hearing	475,542	-	475,542	527,774
Conferences, meetings, and seminars	243,719	-	243,719	245,369
Grants and contracts	185,968	-	185,968	171,204
Membership dues	140,810	-	140,810	148,821
Advertising	137,215	-	137,215	172,880
Investment income	61,339	(37,137)	24,202	126,550
Consulting income	4,508	-	4,508	29,850
Other	1,817	-	1,817	14,688
Net assets released from restrictions: Satisfaction of purpose restrictions	51,212	(51,212)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,343,635</b>	<b>14,748</b>	<b>2,358,383</b>	<b>2,905,751</b>
<b>EXPENSES</b>				
Program	1,847,737	-	1,847,737	1,765,029
Management and general	106,544	-	106,544	117,323
Fundraising	135,470	-	135,470	162,370
<b>TOTAL EXPENSES</b>	<b>2,089,751</b>	<b>-</b>	<b>2,089,751</b>	<b>2,044,722</b>
<b>CHANGE IN NET ASSETS</b>	<b>253,884</b>	<b>14,748</b>	<b>268,632</b>	<b>861,029</b>
<b>NET ASSETS, beginning of year</b>	<b>2,045,709</b>	<b>402,508</b>	<b>2,448,217</b>	<b>1,587,188</b>
<b>NET ASSETS, end of year</b>	<b>\$ 2,299,593</b>	<b>\$ 417,256</b>	<b>\$ 2,716,849</b>	<b>\$ 2,448,217</b>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES  
 Year Ended August 31, 2019 (with Summarized Comparative Information for the year ended August 31, 2018)

	PROGRAM SERVICES							
	Convention	Chapters, State Organizations, Members	Education and Outreach	Advocacy	RERC/HAT Training	LOOPS	Call to Action Awareness Program	Program Total
Salaries	\$ 101,113	\$ 203,457	\$ 140,011	\$ 103,262	\$ 62,544	\$ -	\$ 124,687	\$ 735,074
Employer payroll tax	8,547	17,159	11,835	8,729	5,287	-	10,490	62,047
Health insurance	6,428	12,936	8,902	6,566	3,977	-	7,928	46,737
Life/LTD insurance	1,200	2,415	1,662	1,226	743	-	1,480	8,726
Employer 403b contributions	3,200	6,437	4,431	3,267	1,979	-	3,946	23,260
Consulting	-	-	14,000	-	-	25,000	-	39,000
Awards	-	1,546	-	-	-	-	-	1,546
Bank and credit card fees	4,101	10,541	1,601	1,180	714	-	11,693	29,830
Blackbaud/software	7,336	22,557	-	-	-	-	19,026	48,919
Board-related	5,650	3,662	2,494	1,840	1,114	-	2,268	17,028
Captioning/signing	15,595	2,108	-	95	3,215	831	285	22,129
Commissions	17,550	-	24,699	-	-	-	-	42,249
Decorations	17,503	-	-	-	-	-	-	17,503
Depreciation	1,589	3,198	2,200	1,623	983	-	1,960	11,553
Design and typesetting services	6,295	2,450	18,230	-	-	475	2,500	29,950
Dues and subscriptions	2,160	478	21	925	-	-	598	4,182
Equipment rentals	65,862	816	-	-	1,576	215	1,020	69,489
Event-related	131,871	1,542	22,500	-	17,007	834	1,927	175,681
General insurance	889	1,789	520	908	550	-	1,096	5,752
In-kind	25,000	828	-	-	-	-	1,035	26,863
Interest	-	-	-	-	-	-	-	-
IT	1,337	2,689	1,852	1,365	826	-	1,648	9,717
Legal and accounting	-	807	-	-	-	-	1,009	1,816
Miscellaneous	-	-	-	-	-	-	-	-
Miscellaneous licenses/taxes	-	7,027	-	-	-	-	3	7,030
Office rent	17,328	34,867	23,994	17,697	10,719	-	21,369	125,974
Payroll services	-	-	-	-	-	-	-	-
Postage/shipping/courier	1,535	8,825	14,820	1,479	1,807	269	3,081	31,816
Printing/paper/envelopes	4,077	24,379	40,542	-	257	5,997	17,575	92,827
Public relations/promotional	20,838	8,209	-	-	-	310	10,261	39,618
Repairs and maintenance	-	-	-	-	-	-	-	-
Scholarships-convention	4,077	-	-	-	-	-	-	4,077
Small office equipment/software	784	7,866	186	-	-	-	3,155	11,991
Staff training & recruitment	1,196	586	-	-	-	-	732	2,514
State coordinator	-	1,130	-	-	-	-	-	1,130
Storage	-	-	-	-	-	-	-	-
Supplies	1,045	2,552	-	-	5,621	82	2,600	11,900
Telephone	995	2,131	1,913	1,016	616	-	1,386	8,057
Travel, meals, and lodging	11,278	12,744	38	3,438	675	21,524	14,882	64,579
Unified membership program	-	6,699	-	-	-	-	32	6,731
Volunteer recognition	-	653	-	-	-	-	817	1,470
Web hosting	-	8	8,954	-	-	-	10	8,972
<b>Total</b>	<b>\$ 486,379</b>	<b>\$ 415,091</b>	<b>\$ 345,405</b>	<b>\$ 154,616</b>	<b>\$ 120,210</b>	<b>\$ 55,537</b>	<b>\$ 270,499</b>	<b>\$ 1,847,737</b>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2019 (with Summarized Comparative Information for the year ended August 31, 2018)

	2019					2018	
	Program Total	General and Administrative	Fundraising			Total	Total
			Walk4Hearing	Development	Total Fundraising		
Salaries	\$ 735,074	\$ 24,751	\$ 24,937	\$ 39,097	\$ 64,034	\$ 823,859	\$ 782,968
Employer payroll tax	62,047	2,084	2,098	3,302	5,400	69,531	66,385
Health insurance	46,737	1,568	1,586	2,487	4,073	52,378	48,753
Life/LTD insurance	8,726	293	296	465	761	9,780	9,510
Employer 403b contributions	23,260	780	789	1,238	2,027	26,067	27,472
Consulting	39,000	-	-	-	-	39,000	77,217
Awards	1,546	-	-	110	110	1,656	1,506
Bank and credit card fees	29,830	281	2,339	780	3,119	33,230	33,047
Blackbaud/software	48,919	8,545	3,805	7,336	11,141	68,605	71,435
Board-related	17,028	2,290	454	697	1,151	20,469	19,093
Captioning/signing	22,129	1,733	57	-	57	23,919	26,643
Commissions	42,249	-	-	-	-	42,249	50,429
Decorations	17,503	-	-	-	-	17,503	10,000
Depreciation	11,553	386	392	613	1,005	12,944	9,115
Design and typesetting services	29,950	750	500	600	1,100	31,800	44,226
Dues and subscriptions	4,182	319	120	5,977	6,097	10,598	4,343
Equipment rentals	69,489	3,590	204	-	204	73,283	80,424
Event-related	175,681	-	386	-	386	176,067	184,349
General insurance	5,752	-	219	344	563	6,315	8,336
In-kind	26,863	-	207	-	207	27,070	-
Interest	-	205	-	-	-	205	344
IT	9,717	326	330	520	850	10,893	10,865
Legal and accounting	1,816	14,369	202	-	202	16,387	17,843
Miscellaneous	-	1,912	-	-	-	1,912	17
Miscellaneous licenses/taxes	7,030	5,444	1	-	1	12,475	8,362
Office rent	125,974	4,224	4,274	6,699	10,973	141,171	141,175
Payroll services	-	2,834	-	-	-	2,834	2,598
Postage/shipping/courier	31,816	998	616	3,126	3,742	36,556	34,488
Printing/paper/envelopes	92,827	9,723	3,515	3,930	7,445	109,995	106,316
Public relations/promotional	39,618	-	2,053	2,655	4,708	44,326	37,940
Repairs and maintenance	-	-	-	-	-	-	235
Scholarships-convention	4,077	-	-	-	-	4,077	8,025
Small office equipment/software	11,991	1,189	631	-	631	13,811	4,032
Staff training and recruitment	2,514	6,617	146	-	146	9,277	118
State coordinator	1,130	-	-	-	-	1,130	616
Storage	-	4,560	-	-	-	4,560	3,575
Supplies	11,900	2,020	520	317	837	14,757	12,158
Telephone	8,057	239	277	431	708	9,004	12,712
Travel, meals, and lodging	64,579	4,422	2,976	645	3,621	72,622	72,655
Unified membership program	6,731	-	6	-	6	6,737	9,560
Volunteer recognition	1,470	92	163	-	163	1,725	-
Web hosting	8,972	-	2	-	2	8,974	5,837
<b>Total</b>	<b>\$ 1,847,737</b>	<b>\$ 106,544</b>	<b>\$ 54,101</b>	<b>\$ 81,369</b>	<b>\$ 135,470</b>	<b>\$ 2,089,751</b>	<b>\$ 2,044,722</b>

See Notes to Financial Statements.



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

**STATEMENT OF CASH FLOWS**

**Year Ended August 31, 2019 (with Summarized Comparative Information for the year ended August 31, 2018)**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations		
Revenue	\$ 2,284,247	\$ 2,812,025
Investment income	12,536	35,317
	<u>2,296,783</u>	<u>2,847,342</u>
Cash disbursed by operations		
Payments to employees and suppliers	2,115,094	2,058,709
Interest paid	205	344
	<u>2,115,299</u>	<u>2,059,053</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>181,484</u>	<u>788,289</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	883,095	405,158
Purchase of investments	(1,119,195)	(828,822)
Purchase of property	(25,530)	-
Distribution of cash surrender value of life insurance policy (other investments)	-	43,145
	<u>(261,630)</u>	<u>(380,519)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(261,630)</u>	<u>(380,519)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on capital lease	(9,263)	(9,124)
	<u>(9,263)</u>	<u>(9,124)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(89,409)	398,646
<b>CASH, beginning of year</b>	<u>810,893</u>	<u>412,247</u>
<b>CASH, end of year</b>	<u>\$ 721,484</u>	<u>\$ 810,893</u>
<b>NON-CASH INVESTING ACTIVITIES</b>		
Unrealized gain in market value of investments	\$ (6,080)	\$ (86,878)
Increase in investment value	6,080	86,878
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2019 (with Summarized Comparative Information for the year ended August 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<u>\$ 268,632</u>	<u>\$ 861,029</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	12,944	9,115
Non-cash occupancy costs	(20,822)	(14,592)
Unrealized and realized gain on investments	<u>(11,666)</u>	<u>(91,233)</u>
<b>NET ADJUSTMENTS</b>	<u>(19,544)</u>	<u>(96,710)</u>
<b>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH</b>		
<b>ASSETS</b>		
Accounts receivable	(20,514)	28,588
Prepaid expenses	615	(4,162)
Security deposit	<u>-</u>	<u>(2,000)</u>
	<u>(19,899)</u>	<u>22,426</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	(18,285)	(2,692)
Deferred revenue	<u>(29,420)</u>	<u>4,236</u>
	<u>(47,705)</u>	<u>1,544</u>
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>	<u>(67,604)</u>	<u>23,970</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 181,484</u>	<u>\$ 788,289</u>

See Notes to Financial Statements.

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

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

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

##### **Organization**

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

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

Subsequent to the fiscal year end, the Association was terminated its corporation status with the state of Maryland and incorporated within the state of Delaware.

##### **Basis of Accounting**

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

##### **Cash and Cash Equivalents**

The Association considers certificates of deposit and highly liquid investments with an initial maturity of three months or less, when purchased, to be cash equivalents. As of August 31, 2019 and 2018, cash consists of a checking account and a money market account. As of August 31, 2019 and 2018, there were no cash equivalents.

##### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Bills are considered due within 30 days of invoice date. The Association maintains an allowance for doubtful accounts for estimated losses that may result from the inability of advertisers or others to make payments. Such allowance is based on several factors, including, but not limited to, historical experience and the financial condition of the payee. As of August 31, 2019 and 2018, the Association did not have a balance in the allowance for doubtful accounts. Outstanding balances are written off after management has made reasonable collection efforts.

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

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

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

##### **Property**

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

##### **Investments**

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

##### **Common Stock**

The Association received a stock gift which the donors have specified that the gift and any related dividends remain as stock and not be sold. The gift is recorded as a net asset with donor restriction. Under the agreement, the Association is permitted to use any cash dividends to fund current operations. Accordingly, the fair value of the stock as of August 31, 2019 and 2018 is \$114,416 and \$151,553, respectively, and has been recorded as net assets with donor restriction.

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

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

##### **Deferred Rent**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

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

**Classes of Assets**

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

**Without Donor Restriction**

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

**With Donor Restriction**

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

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

**Revenue Recognition**

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

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

**In-Kind Contributions**

The Association at times receives services and/or supplies donated from vendors and suppliers that contract services with the Association. Accordingly, the fair value of in-kind contributions for the years ended August 31, 2019 and 2018 is \$27,070 and \$0, respectively, and has been recorded as net assets with donor restriction.

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

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, employer payroll tax, health insurance, life/LTD insurance, employer 403b contributions, awards, bank and credit card fees, blackbaud/software expense, board related, captioning/signing, depreciation, design and typesetting, dues and subscriptions, equipment rentals, event-related, general insurance, in-kind, IT, legal and accounting, miscellaneous licenses/taxes, office rent, postage/shipping/courier, printing/paper/envelopes, public relations/promotional, small office equipment/software, staff training and recruitment, supplies, telephone, travel/meals/lodging, unified membership program, volunteer recognition, 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.

**Reclassification**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

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

**Summarized Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended August 31, 2018, from which the summarized information was derived.

**Liquidity**

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

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

The Association's financial assets available within one year to meet cash needs for general expenditures through August 31, 2020 are as follows:

Financial Assets	
Cash	\$ 721,484
Investments	2,176,866
Accounts receivable	94,588
Total Financial Assets	<u>\$ 2,992,938</u>
Less amounts not available within one year	
Purpose restricted net assets	<u>(417,256)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 2,575,682</u></u>

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)

#### 2. CASH

Cash at August 31, 2019 and 2018 consisted of the following:

	2019	2018
Checking	\$ 576,386	\$ 667,362
Business money market	145,098	143,531
	<u>\$ 721,484</u>	<u>\$ 810,893</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, 2019 and 2018, the Association's uninsured balances per bank, including money market accounts, totaled \$312,334 and \$389,276, respectively.

#### 3. PROPERTY

A summary of information relative to property and depreciation for the years ended August 31, 2019 and 2018 is as follows:

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



## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)

#### 3. PROPERTY (CONTINUED)

	2018				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
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	<u>45,574</u>	<u>9,115</u>	<u>28,104</u>	<u>17,470</u>	5
	<u>\$ 415,000</u>	<u>\$ 9,115</u>	<u>\$ 397,530</u>	<u>\$ 17,470</u>	

#### 4. INVESTMENTS

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

**4. INVESTMENTS (CONTINUED)**

The following is a summary of the inputs used to value the investments as of August 31, 2019 and 2018:

	2019		
	Fair Value	Level 1	Level 2
Money market funds	\$ 16,552	\$ 16,552	\$ -
Common stocks			
Consumer goods	114,416	114,416	-
Mutual funds			
Large blend	545,699	545,699	-
Foreign large blend	332,787	332,787	-
Diversified emerging markets	201,232	201,232	-
Mid-cap blend	97,491	97,491	-
Small blend	94,700	94,700	-
Certificates of deposit	773,989	-	773,989
	<u>\$ 2,176,866</u>	<u>\$ 1,402,877</u>	<u>\$ 773,989</u>
	2018		
	Fair Value	Level 1	Level 2
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>

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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

**4. INVESTMENTS (CONTINUED)**

Investment income for the year ended August 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Interest	\$ 2,387	\$ 18,131
Dividends	21,530	25,150
Unrealized and realized gain	11,666	91,233
Management fee	<u>(11,381)</u>	<u>(7,964)</u>
	<u>\$ 24,202</u>	<u>\$ 126,550</u>

**5. DEFERRED REVENUE**

Deferred revenue at August 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Membership	\$ 106,265	\$ 119,815
Foundation sponsor	<u>56,973</u>	<u>72,843</u>
	<u>\$ 163,238</u>	<u>\$ 192,658</u>

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

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

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

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

Absent explicit donor stipulations to the contrary, the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Association classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets without donor restriction is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

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

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

As of August 31, 2019 and 2018, net assets with donor restrictions consisted of the following:

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

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, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)

#### 7. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

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

Net assets without donor restriction for fiscal year 2019 and 2018 are allocated as follows:

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

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

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

#### **8. DEFINED CONTRIBUTION PLAN**

The Association maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The Association contributed up to 5% on behalf of the eligible participants' contributions. Employer contributions to the plan were \$26,067 and \$27,472 for the years ended August 31, 2019 and 2018, respectively.

#### **9. INCOME TAXES**

The Association is exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, except that any unrelated business income is subject to Federal taxes. During the fiscal years ended August 31, 2019 and 2018, the Association paid no income taxes 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, 2019, 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**

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

During fiscal year 2019, the Association had agreements with certain local chapters and affiliates to conduct local Walk4Hearing fundraising events in numerous cities across the country. As part of these agreements, the Association and the local chapters and affiliates shared in the donations raised from the Walks in accordance with the agreement with each entity receiving 50% of funds raised. As of August 31, 2019, the Association's share of revenue from these Walks totaled \$475,542 with a corresponding receivable of \$44,854 and payable of \$88,509. As of August 31, 2018, the Association's share of revenue from these Walks totaled \$527,774 with a corresponding receivable of \$56,174 and payable of \$55,284. In addition, the Association incurred expenses in providing assistance to the Walks through the use of its website and the disbursement of promotional material and event coordination with the local chapters and affiliates for which no amounts were charged.

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)

#### 11. JOINT COST ALLOCATION

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

	<u>2019</u>	<u>2018</u>
Fundraising	\$ 54,099	\$ 36,427
Program	486,896	327,839
	<u>\$ 540,995</u>	<u>\$ 364,266</u>

#### 12. COMMITMENTS

##### Office Lease

The Association is obligated under a noncancelable 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. The Association has reported the difference between the cash paid for rent and the straight-line rental expense as deferred rent liability in the accompanying statement of financial position. Rent expense and storage expense for the years ended August 31, 2019 and 2018 totaled \$145,731 and \$144,750, respectively. Future minimum lease payments required under the lease as of August 31, 2019 is \$153,414 for the year ended August 31, 2020.

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

Fiscal year ended August 31	
2020	\$ -
2021	9,409
2022	113,146
2023	115,969
2024	118,865
2025 - 2031	<u>907,389</u>
	<u>\$ 1,264,778</u>



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

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended August 31, 2019 (with Summarized Comparative Information as of and for the year ended August 31, 2018)**

**12. COMMITMENTS (Continued)**

**Capital Lease**

The Association entered into a capital lease agreement for copier equipment at the end of fiscal year 2015. The asset and liability under this capital lease was recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is depreciated over its related lease term. Interest paid during the years ended August 31, 2019 and 2018 was \$205 and \$344, respectively. Payment due under the capital lease for the fiscal year ending August 31, 2020 is \$8,679, of which \$65 is interest.

**Future Meeting Sites**

The Association entered into an agreement for future meeting sites with various hotels. Had the Association cancelled these contracts as of August 31, 2019, it would have been liable for cancellation fees up to \$583,632. Subsequent to the fiscal year end, the Association entered into an agreement for a future meeting site that if cancelled at January 31, 2020 it would have been liable for cancellation fees up to \$40,310.

**13. SUBSEQUENT EVENTS**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 31, 2020, the date the financial statements were available to be issued.