

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

**FINANCIAL STATEMENTS**

**Year Ended August 31, 2014**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Hearing Loss Association of America (a nonprofit organization)(the Association), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities, cash flows and functional expenses 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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, 2014, 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.

As explained in Note 8 to the financial statements, the balance of net assets as of August 31, 2013 has been restated to properly record Walk 4 Hearing income.

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

Alexandria, Virginia

June 15, 2015

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

**STATEMENT OF FINANCIAL POSITION**

**August 31, 2014**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	508,076
Accounts receivable		157,144
Prepaid expenses		49,954

**TOTAL CURRENT ASSETS** 715,174

**PROPERTY, at cost, net** 22,004

**OTHER ASSETS**

Investments		1,233,543
Other assets		26,750

**TOTAL OTHER ASSETS** 1,260,293

**TOTAL ASSETS** \$ 1,997,471

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$	106,828
Due to designated beneficiaries		12,338
Annuities payable		3,100
Deferred revenue		226,447

**TOTAL CURRENT LIABILITIES** 348,713

**LONG-TERM LIABILITIES**

Deferred rent		65,978
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**TOTAL LIABILITIES** 414,691

**NET ASSETS**

Unrestricted		976,767
Temporarily restricted		329,863
Permanently restricted		276,150

**TOTAL NET ASSETS** 1,582,780

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,997,471

See Notes to the Financial Statements.

**HEARING LOSS ASSOCIATION OF AMERICA, INC.****STATEMENT OF ACTIVITIES  
Year ended August 31, 2014**

<b>SUPPORT AND REVENUE</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Contributions	\$ 870,077	\$ 143,808	\$ 5,167	\$ 1,019,052
Walk4Hearing	609,121	-	-	609,121
Grants and contracts	5,103	150,000	-	155,103
Membership dues	164,002	-	-	164,002
Conferences, meetings, and seminars	272,561	-	-	272,561
Publication and advertising	192,529	-	-	192,529
Investment income	2,756	7,622	44,053	54,431
Other	3,934	-	-	3,934
Net assets released from restrictions: Satisfaction of purpose restrictions	173,574	(173,574)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,293,657</b>	<b>127,856</b>	<b>49,220</b>	<b>2,470,733</b>
<b>EXPENSES</b>				
Program	1,142,383	-	-	1,142,383
Management and general	383,717	-	-	383,717
Fundraising	642,372	-	-	642,372
<b>TOTAL EXPENSES</b>	<b>2,168,472</b>	<b>-</b>	<b>-</b>	<b>2,168,472</b>
<b>CHANGE IN NET ASSETS</b>	<b>125,185</b>	<b>127,856</b>	<b>49,220</b>	<b>302,261</b>
<b>NET ASSETS, beginning of year, restated</b>	<b>851,582</b>	<b>202,007</b>	<b>226,930</b>	<b>1,280,519</b>
<b>NET ASSETS, end of year</b>	<b>\$ 976,767</b>	<b>\$ 329,863</b>	<b>\$ 276,150</b>	<b>\$ 1,582,780</b>

See Notes to the Financial Statements.

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

**STATEMENT OF CASH FLOWS**

**Year ended August 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from operations

Revenue	\$ 2,310,966
Investment income	4,627
Total cash received from operations	<u>2,315,593</u>

Cash disbursed by operations

Payments to employees and suppliers	(2,087,366)
Interest paid	(1,021)
Income taxes paid	(8,275)
Total cash disbursed from operations	<u>(2,096,662)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 218,931

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(21,863)
Proceeds from sale of investments	725,000
Purchase of investments	<u>(1,007,737)</u>

**NET CASH USED BY INVESTING ACTIVITIES** (304,600)

**NET INCREASE IN CASH AND CASH EQUIVALENTS** (85,669)

**CASH AND CASH EQUIVALENTS, beginning of year** 593,745

**CASH AND CASH EQUIVALENTS, end of year** \$ 508,076

**NON-CASH INVESTING ACTIVITIES**

Unrealized gain in market value of investments	\$ (49,803)
Increase in investment value	49,803
	<u><u>\$ -</u></u>

See Notes to the Financial Statements.

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

**STATEMENT OF CASH FLOWS**

**Year ended August 31, 2014**

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

<b>CHANGE IN NET ASSETS</b>	<u>\$ 302,261</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Depreciation	9,345
Loss on disposal of property	2,806
Non-cash occupancy costs	8,025
Increase in cash surrender value on life insurance	(1,497)
Unrealized and realized (gain) loss on investments	<u>(49,803)</u>
<b>NET ADJUSTMENTS</b>	<u>(31,124)</u>
<b>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH</b>	
<b>ASSETS</b>	
Accounts receivable	(104,994)
Prepaid expenses	10,506
<b>LIABILITIES</b>	
Accounts payable	41,897
Annuities payable	(769)
Deferred revenue	<u>1,154</u>
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>	<u>(52,206)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 218,931</u></u>

See Notes to Financial Statements.



HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended August 31, 2014

	PROGRAM SERVICES														SUPPORTING SERVICES				
	Convention	Chapters	Web Ads	Magazine	Member Services	Advocacy	State Organizations	Academy	Leadership Training	International Loop Conference	Consumer Loops	Consumer Technology Institute	Other	Program Total	General & Administrative	Fundraising			Total
																Walk For Hearing	Development	Fundraising Total	
Salaries	\$ 90,559	\$ 40,490	\$ 7,739	\$ 67,183	\$ 71,875	\$ 64,972	\$ 7,739	\$ 7,741	\$ 1,460	\$ 4,115	\$ 14,086	\$ 19,914	\$ 1,568	\$ 399,440	\$ 183,415	\$ 129,490	\$ 22,523	\$ 152,013	\$ 734,868
Employer payroll tax	7,525	3,148	603	5,559	6,211	5,119	603	603	117	330	-	-	126	29,945	15,282	11,410	1,470	12,880	58,107
Health insurance	3,455	5,667	1,415	1,708	6,853	12,626	1,416	(37)	-	-	-	-	-	33,103	12,557	3,457	6,906	10,362	56,022
Life/LTD insurance	726	482	67	510	642	530	67	67	11	-	68	-	-	3,171	1,558	1,666	689	2,354	7,083
Employer 403b contributions	2,347	764	75	1,902	301	1,911	75	75	-	-	-	-	-	7,450	2,442	2,284	451	2,735	12,627
Other employee benefits	336	56	56	112	224	118	56	56	-	-	-	-	-	1,014	448	448	336	784	2,246
Consulting	-	200	-	-	-	-	-	-	1,000	673	16,000	18,389	750	37,012	-	54,333	69,202	123,535	160,547
Awards	1,526	244	-	-	-	-	-	-	-	-	-	-	-	1,770	-	719	-	719	2,489
Bank and credit card fees	4,045	2,687	375	2,841	3,579	2,952	375	375	59	-	379	-	-	17,667	8,756	9,277	4,136	13,413	39,836
Board-related expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,377	-	-	-	22,377
Captioning/signing	17,565	425	-	-	728	665	-	-	1,305	-	-	-	2,200	22,888	95	323	95	418	23,401
Commissions	19,854	-	3,742	27,382	-	-	-	-	-	-	-	-	-	50,978	-	-	-	-	50,978
Convio Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,053	-	50,053	50,053
Decorations	12,678	-	-	-	-	-	-	-	-	-	-	-	-	12,678	-	(169)	74	(95)	12,583
Depreciation	1,197	796	111	841	1,060	874	111	111	18	-	112	-	-	5,230	233	2,747	1,135	3,882	9,345
Design and typesetting services	1,125	-	-	17,841	350	-	-	-	-	-	-	-	-	19,316	675	7,525	1,404	8,929	28,920
Dues and subscriptions	102	68	9	72	91	1,399	9	9	2	-	9	-	-	1,772	2,373	235	1,392	1,627	5,772
Equipment rentals	51,627	2,593	196	1,484	3,059	2,731	196	1,386	31	-	196	-	-	63,499	5,706	6,036	11,578	17,613	86,818
Event-related expense	98,254	-	-	-	-	-	-	-	1,161	1,069	-	-	-	100,484	-	-	-	-	100,484
General insurance	788	(626)	73	554	698	575	73	73	12	-	73	-	-	2,293	1,692	1,408	748	2,156	6,141
Interest expense	21	14	2	14	18	15	2	2	0	-	2	-	-	90	390	47	495	542	1,022
Legal and accounting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,327	-	-	-	26,327
Miscellaneous expense	-	-	-	-	-	700	-	-	-	-	-	-	-	700	11,426	-	-	-	12,126
Miscellaneous licenses/taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	280	350	1,372	1,722	2,002
Office rent	14,152	9,402	1,313	9,941	12,523	10,327	1,312	1,312	207	-	1,312	-	-	61,799	30,375	32,472	13,420	45,892	138,066
Payroll services	387	257	36	272	343	283	36	36	6	-	36	-	-	1,691	831	889	367	1,256	3,778
PIF, chapter distributions	-	(4,690)	-	-	-	-	-	-	-	-	-	-	-	(4,690)	4,690	-	-	-	-
Postage/shipping/courier	953	1,354	-	22,313	6,172	-	-	-	-	-	455	-	4,650	35,896	2,639	6,550	18,629	25,178	63,713
Printing/paper/envelopes	9,115	-	-	43,062	12,945	-	-	-	-	-	5,103	-	-	70,226	300	48,750	16,638	65,388	135,914
Public relations/promotional	879	27	-	-	237	-	385	-	-	-	-	-	1,168	2,696	11	1,426	6,209	7,635	10,342
Repairs and maintenance	6,121	4,067	567	4,300	5,416	4,467	567	567	90	-	568	-	-	26,730	13,137	20,229	5,804	26,034	65,901
Research expense	-	-	-	-	511	-	-	-	-	-	-	-	-	511	-	-	-	-	511
Scholarships-convention	10,432	-	-	-	-	-	-	-	-	-	-	-	-	10,432	-	-	-	-	10,432
Small office equipment/software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,590	74	-	74	22,664
Staff training & recruitment	-	25	-	-	-	-	-	-	-	-	-	-	-	25	642	130	-	130	797
State coordinator expense	-	1,229	-	-	-	-	-	-	-	-	-	-	-	1,229	-	-	-	-	1,229
Storage	319	212	30	224	282	233	30	29	5	-	29	-	-	1,391	684	731	302	1,033	3,108
Supplies	23,045	847	99	749	3,414	778	99	99	16	-	1,045	-	2,847	33,037	4,189	23,576	1,352	24,928	62,154
Telephone	888	350	49	551	642	385	49	49	8	-	49	-	-	3,019	1,519	3,008	500	3,509	8,047
Travel, meals, and lodging	20,781	9,207	-	39	157	2,145	-	-	14,520	4,368	20,967	2,444	156	74,786	5,093	35,086	1,072	36,158	116,037
UBIT expense	-	-	412	-	7,863	-	-	-	-	-	-	-	-	8,275	-	-	-	-	8,275
Volunteer recognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	-	-	500
Web hosting	-	-	-	-	4,745	-	-	-	-	-	-	-	85	4,830	-	-	-	-	4,830
Clearing Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	485	-	(485)	(485)	-
<b>Total</b>	<b>\$ 400,803</b>	<b>\$ 79,296</b>	<b>\$ 16,969</b>	<b>\$ 209,452</b>	<b>\$ 150,935</b>	<b>\$ 113,804</b>	<b>\$ 13,200</b>	<b>\$ 12,554</b>	<b>\$ 18,866</b>	<b>\$ 10,647</b>	<b>\$ 61,558</b>	<b>\$ 40,748</b>	<b>\$ 13,550</b>	<b>\$ 1,142,383</b>	<b>\$ 383,717</b>	<b>\$ 454,558</b>	<b>\$ 187,814</b>	<b>\$ 642,372</b>	<b>\$ 2,168,472</b>

See Notes to the Financial Statements.

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

### **NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014**

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

##### **Organization**

Hearing Loss Association of America, Inc. (HLAA), formerly Self Help for Hard of Hearing People, Inc. is a Maryland, not-for-profit corporation. HLAA's principal activity is to encourage identification of those persons having a hearing problem, provide education for them, their families, and friends on how best to cope with the problem, and foster public and private programs aimed at alleviating the problem.

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

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

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

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

HLAA considers certificates of deposits and highly liquid investments with an initial maturity of three months or less, when purchased, to be cash equivalents.

##### **Allowance for Doubtful Accounts**

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

##### **Property**

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

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

### **NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014**

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

##### **Investments**

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

##### **Common Stock**

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

##### **Pooled Income Fund**

The Pooled Income Fund is comprised of donated mutual funds pursuant to a split interest agreement with the donors. The mutual funds are designated to provide long-range support for HLAA. These investments revert to HLAA at the death of the donors. As of August 31, 2014, HLAA owed the donors and his or her beneficiaries \$12,338.

##### **Variable Annuity Contracts**

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

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

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

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014

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

##### **Other Assets**

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

##### **Split-Interest Agreements**

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

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

##### **Annuities Payable**

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

##### **Deferred Rent**

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

##### **Classification of Net Assets**

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

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

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

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

### **NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014**

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

##### **Classification of Net Assets (Continued)**

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

##### **Revenue Recognition**

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

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

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

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

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

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

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

##### **Estimates**

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

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014

#### 2. CASH AND CASH EQUIVALENTS

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

Checking	\$ 337,293
Business money market	141,814
Cash fund in brokerage account	28,858
Petty cash	111
	<u>\$ 508,076</u>

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

#### 3. PROPERTY

HLAA held the following property and equipment as of August 31, 2014:

Furniture	\$ 15,751
Office equipment	347,625
Leasehold improvement	6,050
	<u>369,426</u>
Less: accumulated depreciation	(347,422)
Property, net	<u>\$ 22,004</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.

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.

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014

#### 4. INVESTMENTS (CONTINUED)

**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, 2014.

	Fair Value	Level 1	Level 2	Level 3
Common stocks	\$ 149,979	\$ 149,979	\$ -	\$ -
Mutual funds	68,355	68,355	-	-
Certificates of deposit	1,006,380	-	1,006,380	-
Variable annuity insurance contracts	8,865	-	-	8,865
	<u>\$ 1,233,579</u>	<u>\$ 218,334</u>	<u>\$ 1,006,380</u>	<u>\$ 8,865</u>

#### Changes in Level 3 Category

Beginning balance	\$ 7,703
Sales	-
Purchases	-
Settlements	-
Unrealized gains/(losses)	1,162
Realized gains/(losses)	-
Ending balance	<u>\$ 8,865</u>

Investment income for the year ended August 31, 2014 is as follows:

Interest	\$ 3,295
Dividends	2,628
Unrealized and realized gain	48,508
	<u>\$ 54,431</u>

Unrealized gain reported above of the variable annuity insurance contracts held at August 31, 2014 is included in investment income on the accompanying statement of activities.

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014

#### 5. DEFERRED REVENUE

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

Corporate sponsor	\$	78,750
Magazine		15,600
Membership		132,097
	\$	<u>226,447</u>

#### 6. RESTRICTIONS OF NET ASSETS

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

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of a donor-restricted fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, HLAA classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment, and (c) accumulations to a 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 donor-restricted funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, unless otherwise restricted by the donor, until those amounts are appropriated for expenditure by HLAA in a manner consistent with the standard of prudence prescribed by UPMIFA.

HLAA manages its endowments with a focus on the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment, absent explicit donor stipulations to the contrary. In accordance with UPMIFA, HLAA considers the following factors in making a determination to appropriate or accumulated donor-restricted funds:

- The duration and preservation of the fund
- The purposes of HLAA and the donor-restricted fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of HLAA
- The investment policies of HLAA



## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014

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

##### Permanent Restrictions

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

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

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

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

	Balance 8/31/2013	Additions	Releases	Balance 8/31/2014
Endowment - ADM Shares	\$ 105,877	\$ 44,053	\$ -	\$ 149,930
Victor and Teru Matsui Fund	12,705	-	-	12,705
Rocky and Ahme Stone Endowment Fund	108,348	5,167	-	113,515
	<u>\$ 226,930</u>	<u>\$ 49,220</u>	<u>\$ -</u>	<u>\$ 276,150</u>

##### Temporary Restrictions

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

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

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014

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

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

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

#### 7. UNRESTRICTED NET ASSETS

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

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

Unrestricted net assets for 2014 are allocated as follows:

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

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014

#### 8. PRIOR PERIOD ADJUSTMENTS

The balance of net assets as of August 31, 2013 has been restated to properly record walk revenue as follows:

	As Originally Presented	Change	As Restated
Walk4Hearing revenue as of August 31, 2013	<u>\$ 769,280</u>	<u>\$ (284,947)</u>	<u>\$ 484,333</u>
Unrestricted net assets as of August 31, 2013	<u>\$ 1,136,529</u>	<u>\$ (284,947)</u>	<u>\$ 851,582</u>

#### 9. DEFINED CONTRIBUTION PLAN

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

#### 10. INCOME TAXES

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

Management has analyzed the tax position taken and has concluded that as of August 31, 2014, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

In general, the tax years of 2011, 2012, and 2013 remain open under the statute of limitations and are subject to examination.

#### 11. RELATED PARTIES

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

## HEARING LOSS ASSOCIATION OF AMERICA, INC.

### NOTES TO FINANCIAL STATEMENTS Year Ended August 31, 2014

#### 11. RELATED PARTIES (Continued)

During fiscal year 2014, HLAA had agreements with certain local chapters and affiliates to conduct local Walks 4 Hearing fundraising events in numerous cities across the country. As part of these agreements, HLAA and the local chapters and affiliates shared in the donations raised from the Walks in accordance with the agreement with each entity receiving 50% of the funds raised. As of August 31, 2014, HLAA's share of from these Walks totaled \$609,121 with a corresponding receivable of \$10,444. 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.

#### 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 increase in the annual rental amount. Generally accepted accounting principles require that when lease agreements contained rent abatements and fixed increases in the annual rental amount, the total rental payments on the lease be recognized using the straight-line method over the life of the lease. HLAA has reported the difference between the cash paid for rent and the straight-line rental expense as deferred rent liability in the accompanying statement of financial position.

Future minimum lease payments required under the lease as follows as August 31, 2014:

Year ending August 31,	
2015	\$ 138,475
2016	144,014
2017	149,774
2018	155,765
2019	161,996
2020	139,467
	<u>\$ 889,491</u>

Rent expense for the year ended August 31, 2014 totaled \$136,754.

#### 13. SUBSEQUENT EVENTS

In preparing these financial statements, HLAA has evaluated events and transactions for potential recognition or disclosure through June 15, 2015, the date the financial statements were available to be issued.