

HEARING LOSS ASSOCIATION OF AMERICA, INC.

FINANCIAL STATEMENTS

**Year Ended August 31, 2017
(with Summarized Comparative Information for August 31, 2016)**

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, 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 17, 2018

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2017 (with comparative information as of August 31, 2016)

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 412,247	\$ 296,156
Accounts receivable	102,662	88,944
Prepaid expenses	<u>20,404</u>	<u>25,681</u>
TOTAL CURRENT ASSETS	<u>535,313</u>	<u>410,781</u>
PROPERTY, at cost, net	<u>26,585</u>	<u>42,507</u>
OTHER ASSETS		
Investments	1,414,203	1,320,199
Other investments	43,145	31,473
Security deposit	<u>325</u>	<u>325</u>
TOTAL OTHER ASSETS	<u>1,457,673</u>	<u>1,351,997</u>
TOTAL ASSETS	<u><u>\$ 2,019,571</u></u>	<u><u>\$ 1,805,285</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 159,724	\$ 314,708
Deferred revenue	188,422	128,512
Deferred rent	14,592	8,600
Capital lease liability	<u>9,124</u>	<u>8,988</u>
TOTAL CURRENT LIABILITIES	<u>371,862</u>	<u>460,808</u>
OTHER LIABILITIES		
Deferred rent, net of current portion	42,644	57,236
Capital lease liability, net of current portion	<u>17,877</u>	<u>27,001</u>
TOTAL OTHER LIABILITIES	<u>60,521</u>	<u>84,237</u>
TOTAL LIABILITIES	<u>432,383</u>	<u>545,045</u>
NET ASSETS		
Unrestricted	1,216,897	867,392
Temporarily restricted	100,462	140,209
Permanently restricted	<u>269,829</u>	<u>252,639</u>
TOTAL NET ASSETS	<u>1,587,188</u>	<u>1,260,240</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,019,571</u></u>	<u><u>\$ 1,805,285</u></u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES

Year ended August 31, 2017

(with summarized comparative information for the year ended August 31, 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Contributions	\$ 977,138	\$ -	\$ 7,364	\$ 984,502	\$ 1,004,280
Walk4Hearing	546,839	-	-	546,839	620,679
Conferences, meetings, and seminars	237,874	-	-	237,874	346,077
Publication and advertising	182,361	-	-	182,361	167,133
Membership dues	151,943	-	-	151,943	159,098
Grants and contracts	118,526	-	-	118,526	50,954
Investment income	101,829	806	(7,337)	95,298	61,375
Other	4,142	-	-	4,142	2,291
Net assets released from restrictions:					
Satisfaction of purpose restrictions	23,390	(22,890)	(500)	-	-
TOTAL SUPPORT AND REVENUE	2,344,042	(22,084)	(473)	2,321,485	2,411,887
EXPENSES					
Program	1,537,403	-	-	1,537,403	1,644,352
Management and general	203,894	-	-	203,894	221,863
Fundraising	253,240	-	-	253,240	590,770
TOTAL EXPENSES	1,994,537	-	-	1,994,537	2,456,985
CHANGE IN NET ASSETS	349,505	(22,084)	(473)	326,948	(45,098)
NET ASSETS, beginning of year	867,392	122,546	270,302	1,260,240	1,305,338
NET ASSETS, end of year	\$ 1,216,897	\$ 100,462	\$ 269,829	\$ 1,587,188	\$ 1,260,240

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES
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	\$ 80,225	\$ 171,856	\$ 101,710	\$ 65,139	\$ 52,575	\$ 1,434	\$ 63,026	\$ 535,965
Employer payroll tax	6,579	14,319	8,257	5,259	4,318	-	5,195	43,927
Health insurance	4,314	9,140	5,510	3,535	2,824	-	3,378	28,701
Life/LTD insurance	934	1,978	1,192	765	611	-	731	6,211
Employer 403b contributions	2,045	4,166	2,673	1,733	1,334	-	1,582	13,533
Consulting	-	-	15,671	-	-	19,500	-	35,171
Awards	-	1,034	-	-	-	-	-	1,034
Bad debt expense	-	-	-	-	-	-	535	535
Bank and credit card fees	1,194	11,034	1,472	941	763	-	11,597	27,001
Board-related expense	2,342	3,656	3,486	2,375	1,498	-	1,683	15,040
Captioning/Signing	21,932	1,400	100	-	2,450	138	257	26,277
Commissions	20,524	-	33,172	-	-	-	-	53,696
Blackbaud/software expense	800	29,499	3,000	-	-	-	21,679	54,978
Decorations	20,920	-	-	-	-	-	-	20,920
Depreciation	1,749	3,887	2,270	1,417	1,222	-	1,464	12,009
Design and typesetting services	3,355	-	21,712	-	-	-	135	25,202
Dues and subscriptions	-	-	-	775	-	646	-	1,421
Equipment rentals	71,110	872	-	-	2,258	203	1,090	75,533
Event-related expense	129,122	45	-	350	8,067	759	56	138,399
General insurance	739	1,887	820	492	492	-	615	5,045
IT expenses	1,371	2,140	2,040	1,390	877	-	985	8,803
Miscellaneous expense	-	(266)	-	-	-	-	(332)	(598)
Miscellaneous licenses/taxes	-	4,954	-	-	-	-	702	5,656
Office rent	14,399	30,706	18,308	11,728	9,433	-	11,296	95,870
Postage/Shipping/Courier	2,067	5,828	11,773	1,998	1,447	833	2,262	26,208
Printing/Paper/Envelopes	11,503	19,432	42,360	-	-	1,874	12,677	87,846
Public relations/Promotional	26,051	14,898	1,040	3,003	-	-	14,428	59,420
Scholarships-Convention	9,335	-	-	-	-	-	-	9,335
Small office equipment/Software	6,997	-	-	-	-	-	-	6,997
State coordinator expense	-	1,068	-	-	-	-	-	1,068
Storage	169	432	188	113	113	-	141	1,156
Supplies	761	2,684	1,640	61	5,451	324	163	11,084
Telephone	1,645	3,741	1,942	1,039	836	-	2,276	11,479
Travel, meals, and lodging	23,934	13,314	126	1,260	2,522	24,150	11,533	76,839
Unified Membership Program	-	14,000	-	-	10	-	-	14,010
Web hosting	-	233	1,389	-	-	-	10	1,632
Total	\$ 466,116	\$ 367,937	\$ 281,851	\$ 103,373	\$ 99,101	\$ 49,861	\$ 169,164	\$ 1,537,403

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2017

	Program Total	General & Administrative	Fundraising			Total
			Walk4Hearing	Development	Total Fundraising	
Salaries	\$ 535,965	\$ 101,538	\$ 12,605	\$ 125,321	\$ 137,926	\$ 775,429
Employer payroll tax	43,927	8,670	1,039	10,634	11,673	64,270
Health insurance	28,701	5,311	676	6,576	7,252	41,264
Life/LTD insurance	6,211	1,149	146	1,424	1,570	8,930
Employer 403b contributions	13,533	2,289	316	2,854	3,170	18,992
Consulting	35,171	-	-	-	-	35,171
Awards	1,034	105	-	631	631	1,770
Bad debt expense	535	-	59	-	59	594
Bank and credit card fees	27,001	1,486	2,319	1,859	4,178	32,665
Board-related expense	15,040	921	337	1,486	1,823	17,784
Captioning/Signing	26,277	4,148	28	-	28	30,453
Commissions	53,696	-	-	-	-	53,696
Blackbaud/software expense	54,978	8,840	4,336	12,506	16,842	80,660
Decorations	20,920	285	-	-	-	21,205
Depreciation	12,009	822	293	2,798	3,091	15,922
Design and typesetting services	25,202	98	15	1,050	1,065	26,365
Dues and subscriptions	1,421	1,128	-	2,670	2,670	5,219
Equipment rentals	75,533	5,670	218	-	218	81,421
Event-related expense	138,399	17	11	-	11	138,427
General insurance	5,045	1,234	123	1,641	1,764	8,043
Interest expense	-	866	-	-	-	866
IT expenses	8,803	537	197	870	1,067	10,407
Legal and accounting	-	16,434	-	-	-	16,434
Miscellaneous expense	(598)	(66)	(66)	53	(13)	(677)
Miscellaneous licenses/taxes	5,656	1,561	140	1,404	1,544	8,761
Office rent	95,870	18,028	2,259	22,271	24,530	138,428
Payroll services	-	1,594	-	-	-	1,594
Postage/Shipping/Courier	26,208	774	452	6,624	7,076	34,058
Printing/Paper/Envelopes	87,846	3,269	2,535	12,736	15,271	106,386
Public relations/Promotional	59,420	1,348	2,886	1,796	4,682	65,450
Repairs and maintenance	-	1,000	-	-	-	1,000
Scholarships-Convention	9,335	-	-	-	-	9,335
Small office equipment/Software	6,997	(150)	-	-	-	6,847
Staff training and recruitment	-	3,175	-	-	-	3,175
State coordinator expense	1,068	-	-	-	-	1,068
Storage	1,156	3,526	28	376	404	5,086
Supplies	11,084	4,119	33	-	33	15,236
Telephone	11,479	1,577	455	1,974	2,429	15,485
Travel, meals, and lodging	76,839	2,465	2,307	(63)	2,244	81,548
UBIT expense	-	31	-	-	-	31
Unified Membership Program	14,010	-	-	-	-	14,010
Volunteer recognition	-	50	-	-	-	50
Web hosting	1,632	45	2	-	2	1,679
Total	\$ 1,537,403	\$ 203,894	\$ 33,749	\$ 219,491	\$ 253,240	\$ 1,994,537

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.**STATEMENT OF CASH FLOWS****Year ended August 31, 2017****(with comparative information for the year ended August 31, 2016)**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Revenue	\$ 2,252,869	\$ 2,279,496
Investment income	24,756	32,085
	<u>2,277,625</u>	<u>2,311,581</u>
Cash disbursed by operations		
Payments to employees and suppliers	2,136,025	2,298,719
Interest paid	866	1,002
Income taxes paid	31	781
	<u>2,136,922</u>	<u>2,300,502</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>140,703</u>	<u>11,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	330,926	999,219
Purchase of investments	<u>(346,550)</u>	<u>(1,011,836)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(15,624)</u>	<u>(12,617)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on capital lease	<u>(8,988)</u>	<u>(8,854)</u>
NET INCREASE (DECREASE) IN CASH	116,091	(10,392)
CASH, beginning of year	<u>296,156</u>	<u>306,548</u>
CASH, end of year	<u>\$ 412,247</u>	<u>\$ 296,156</u>
NON-CASH INVESTING ACTIVITIES		
Unrealized gain in market value of investments	\$ (80,533)	\$ (47,481)
Increase in investment value	80,533	47,481
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS

Year ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 326,948</u>	<u>\$ (45,098)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	15,922	12,965
Non-cash occupancy costs	(8,600)	(2,840)
Unrealized and realized gain on investments	(78,380)	(40,472)
Increase in cash surrender value of life insurance (other investments)	<u>(11,672)</u>	<u>(4,723)</u>
NET ADJUSTMENTS	<u>(82,730)</u>	<u>(35,070)</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH		
ASSETS		
Accounts receivable	(13,718)	6,547
Prepaid expenses	5,277	10,047
Security deposit	<u>-</u>	<u>3,000</u>
	<u>(8,441)</u>	<u>19,594</u>
LIABILITIES		
Accounts payable and accrued expenses	(154,984)	136,311
Deferred revenue	<u>59,910</u>	<u>(64,658)</u>
	<u>(95,074)</u>	<u>71,653</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(103,515)</u>	<u>91,247</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 140,703</u></u>	<u><u>\$ 11,079</u></u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Basis of Accounting

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

Cash and Cash Equivalents

HLAA considers certificates of deposits and highly liquid investments with an initial maturity of three months or less, when purchased, to be cash equivalents. As of August 31, 2017 and 2016, cash consists of two checking accounts and a money market account. As of August 31, 2017 and 2016, 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, 2017 and 2016, HLAA did not have a balance in the allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Property

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

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

Investments

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

Common Stock

HLAA received a stock gift which the donors have specified that the stock and any stock dividends remain as stock and not be sold. The gift is recorded as a permanently restricted asset. Under the agreement, HLAA is permitted to use any cash dividends to fund current operations. Accordingly, the fair value of the stock as of August 31, 2017 and 2016 is \$124,249 and \$131,586, respectively, and has been recorded as permanently restricted net assets.

Pooled Income Fund

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

Variable Annuity Contracts

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

Fair Value Measurements

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

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

Other Investments

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

Deferred Rent

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

Classification of Net Assets

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

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

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

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

Revenue Recognition

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

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

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

In-Kind Contributions

HLAA at times receives services and/or supplies donated from vendors and suppliers that contract services with HLAA. As of August 31, 2017 and 2016, HLAA received donated services for the convention valued at \$0 and \$10,155, respectively.

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

Functional Allocation of Expenses

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

Estimates

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

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 GAAP. Accordingly, such information should read in conjunction with HLAA's financial statements for the year ended August 31, 2016, from which the summarized information was derived.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

2. CASH

Cash at August 31, 2017 and 2016 consisted of the following:

	2017	2016
Checking	\$ 269,431	\$ 153,625
Business money market	142,816	142,531
	<u>\$ 412,247</u>	<u>\$ 296,156</u>

The checking and money market accounts are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protector Corporation, respectively, up to \$250,000. HLAA did not have any uninsured funds in its bank accounts as of August 31, 2017 and 2016, respectively.

3. PROPERTY

A summary of information relative to property and depreciation for the years ended August 31, 2017 and 2016 is as follows:

	2017				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
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>	
	2016				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 15,751	\$ -	\$ 15,751	\$ -	3
Office equipment	347,625	3,850	340,817	6,808	3-5
Leasehold improvement	6,050	-	6,050	-	12
Equipment under capital lease	45,574	9,115	9,875	35,699	5
	<u>\$ 415,000</u>	<u>\$ 12,965</u>	<u>\$ 372,493</u>	<u>\$ 42,507</u>	

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

4. INVESTMENTS

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

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

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

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

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.**NOTES TO FINANCIAL STATEMENTS****Year Ended August 31, 2017****(with comparative information for the year ended August 31, 2016)****4. INVESTMENTS (CONTINUED)**

The following is a summary of the inputs used to value the investments as of August 31, 2017 and 2016:

	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>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

4. INVESTMENTS (CONTINUED)

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

Changes in Level 3 Category

	2017	2016
Beginning balance	\$ 8,766	\$ 9,175
Unrealized gains/(losses)	682	(409)
Ending balance	<u>\$ 9,448</u>	<u>\$ 8,766</u>

Investment income for the year ended August 31, 2017 and 2016 is as follows:

	2017	2016
Interest	\$ 578	\$ 666
Dividends	24,178	31,419
Unrealized and realized gain	78,381	40,472
Management fee	(7,839)	(11,182)
	<u>\$ 95,298</u>	<u>\$ 61,375</u>

Unrealized gain reported above of the variable annuity insurance contracts held at August 31, 2017 and 2016 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, 2017

(with comparative information for the year ended August 31, 2016)

5. DEFERRED REVENUE

Deferred revenue at August 31, 2017 and 2016 consists of the following:

	2017	2016
Membership	\$ 137,120	\$ 128,512
Foundation sponsor	51,302	-
	<u>\$ 188,422</u>	<u>\$ 128,512</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.

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by HLAA in a manner consistent with the standard of prudence prescribed by 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, 2017

(with comparative information for the year ended August 31, 2016)

6. RESTRICTIONS OF NET ASSETS (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.

Permanent Restrictions

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

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

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

6. RESTRICTIONS OF NET ASSETS (CONTINUED)

Permanent Restrictions (Continued)

As of August 31, 2017 and 2016, permanently restricted net asset balances consisted of the following:

	2017			Balance August 31, 2017
	Balance September 1, 2016	Contributions/ Investment Income	Releases	
Endowment - ADM Shares	\$ 131,586	\$ (7,337)	\$ -	\$ 124,249
Victor and Teru Matsui Fund	12,705	-	-	12,705
Rocky and Ahme Stone Endowment Fund	126,011	7,364	(500)	132,875
	<u>\$ 270,302</u>	<u>\$ 27</u>	<u>\$ (500)</u>	<u>\$ 269,829</u>
	2016			Balance August 31, 2016
	Balance September 1, 2015	Contributions/ Investment Income	Releases	
Endowment - ADM Shares	\$ 135,285	\$ (3,699)	\$ -	\$ 131,586
Victor and Teru Matsui Fund	12,705	-	-	12,705
Rocky and Ahme Stone Endowment Fund	119,479	7,032	(500)	126,011
	<u>\$ 267,469</u>	<u>\$ 3,333</u>	<u>\$ (500)</u>	<u>\$ 270,302</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, 2017

(with comparative information for the year ended August 31, 2016)

6. RESTRICTIONS OF NET ASSETS (CONTINUED)

Temporary Restrictions (Continued)

As of August 31, 2017 and 2016, temporarily restricted net asset balances consisted of the following:

	2017			Balance August 31, 2017
	Balance September 1, 2016	Additions	Releases	
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>\$ 122,546</u>	<u>\$ 806</u>	<u>\$ (22,890)</u>	<u>\$ 100,462</u>

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

7. UNRESTRICTED NET ASSETS

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

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

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

7. UNRESTRICTED NET ASSETS (Continued)

Unrestricted net assets for fiscal year 2017 and 2016 are allocated as follows:

	2017		
	Operations	Board Reserved	Total
Unrestricted net assets, September 1, 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 temporarily restricted net assets	(22,890)	-	(22,890)
Excess of expenses over income	231,237	-	231,237
Unrestricted net assets, August 31, 2017	<u>\$ 331,568</u>	<u>\$ 885,329</u>	<u>\$ 1,216,897</u>
	2016		
	Operations	Board Reserved	Total
Unrestricted net assets, September 1, 2015	\$ (28,998)	\$ 741,456	\$ 712,458
Activities during the fiscal year			
Bequests	-	54,544	54,544
Investment income	63,436	-	63,436
Website and development	-	50,000	50,000
Release from temporarily restricted net assets	267,076	-	267,076
Excess of expenses over income	(280,122)	-	(280,122)
Unrestricted net assets, August 31, 2016	<u>\$ 21,392</u>	<u>\$ 846,000</u>	<u>\$ 867,392</u>

8. DEFINED CONTRIBUTION PLAN

HLAA maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. HLAA contributed up to 5% on behalf of the eligible participants' contributions. Employer contributions to the plan were \$18,991 and \$18,248 for the years ended August 31, 2017 and 2016, respectively.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

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, 2017 and 2016, HLAA paid income taxes of \$31 and \$781 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, 2017, 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 2017, 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, 2017, HLAA's share of revenue from these Walks totaled \$546,839 with a corresponding receivable of \$70,724 and payable of \$53,896. As of August 31, 2016, HLAA's share of revenue from these Walks totaled \$620,679 with a corresponding receivable of \$79,889 and payable of \$75,061. In addition, HLAA incurred expenses in providing assistance to the Walks through the use of its website and the disbursement of promotional material and event coordination with the local chapters and affiliates for which no amounts were charged.

11. JOINT COST ALLOCATION

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

Fundraising	\$ 33,749
Program	<u>303,752</u>
	<u>\$ 337,501</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

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, 2017:

Year ending August 31,	
2018	\$ 155,765
2019	161,996
2020	<u>139,467</u>
	<u>\$ 457,228</u>

Rent expense and storage expense for the years ended August 31, 2017 and 2016 totaled \$143,515 and \$141,174, respectively.

Capital Lease

HLAA has entered into a capital lease agreement for copier equipment at the end of fiscal year 2015. The asset and liability under this capital lease was recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is depreciated over its related lease term. Interest paid during the years ended August 31, 2017 and 2016 was \$480 and \$614, respectively.

Payments under the capital lease are due as follows:

For the fiscal year ending:	Total Payment	Interest Portion	Net
2018	\$ 9,468	\$ 344	\$ 9,124
2019	9,468	205	9,263
2020	<u>8,679</u>	<u>65</u>	<u>8,614</u>
	<u>\$ 27,615</u>	<u>\$ 614</u>	<u>\$ 27,001</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

(with comparative information for the year ended August 31, 2016)

12. COMMITMENTS (Continued)

Future Meeting Sites

HLAA entered into several agreements for future meeting sites with various hotels. Had HLAA cancelled these contracts as of August 31, 2017, it would have been liable for cancellation fees up to \$623,450.

13. SUBSEQUENT EVENTS

In preparing these financial statements, HLAA has evaluated events and transactions for potential recognition or disclosure through January 17, 2018, the date the financial statements were available to be issued.