

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 AND 2010**

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## REPORT OF INDEPENDENT AUDITORS

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To the Board of Directors of  
Hearing Loss Association of America, Inc.

We have audited the accompanying statements of financial position of the Hearing Loss Association of America, Inc. (HLAA) as of December 31 2011 and 2010, and the related statements of activities and changes in net assets, of functional expenses and of cash flows for the years then ended. These financial statements are the responsibility of HLAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the HLAA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearing Loss Association of America, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Calibre CPA Group, PLLC*

Bethesda, MD  
September 27, 2012

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

**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2011 AND 2010

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,250,971	\$ 967,358
Accounts receivable	47,279	75,792
Prepaid expenses and deposits	68,656	90,184
Total current assets	1,366,906	1,133,334
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	6,050	6,050
Furniture and fixtures	18,266	18,266
Equipment	343,032	329,731
	367,348	354,047
Less accumulated depreciation and amortization	(327,087)	(297,824)
Net property and equipment	40,261	56,223
<b>INVESTMENTS</b>	207,084	204,046
Total assets	\$ 1,614,251	\$ 1,393,603
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 97,708	\$ 105,350
Accrued salaries and vacation payable	31,988	30,223
Deferred revenue	211,226	167,139
Current portion of estimated liability on annuity contracts	3,501	3,600
Total current liabilities	344,423	306,312
<b>LONG-TERM ESTIMATED LIABILITY ON ANNUITY CONTRACTS</b>	2,150	6,057
Total liabilities	346,573	312,369
<b>NET ASSETS</b>		
Unrestricted	879,087	567,136
Temporarily restricted	194,007	330,408
Permanently restricted	194,584	183,690
Total net assets	1,267,678	1,081,234
Total liabilities and net assets	\$ 1,614,251	\$ 1,393,603

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>				
Contributions	\$ 1,875,271	\$ 18,451	\$ 15,370	\$ 1,909,092
Grants and contracts	4,702	23,564	-	28,266
Membership dues	225,787	-	-	225,787
Advertising	191,908	-	-	191,908
Convention	472,508	-	-	472,508
Publication sales	4,792	-	-	4,792
Investment income	8,276	3,727	(4,476)	7,527
Other revenue	24,892	-	-	24,892
Net assets released from restriction				
Satisfaction of purpose restrictions	182,143	(182,143)	-	-
Total public support and revenues	<u>2,990,279</u>	<u>(136,401)</u>	<u>10,894</u>	<u>2,864,772</u>
<b>EXPENSES</b>				
Program services				
Chapters	683,482	-	-	683,482
Convention	483,574	-	-	483,574
Journal	203,485	-	-	203,485
Membership	189,116	-	-	189,116
Publications	1,485	-	-	1,485
Advocacy	106,860	-	-	106,860
RERC-HAT Training Expenses	23,564	-	-	23,564
States	16,807	-	-	16,807
American Academy of Hearing Loss support specialists	20,203	-	-	20,203
Hear 2 Care	8,935	-	-	8,935
Captioning	5,983	-	-	5,983
Loop Project	150,681	-	-	150,681
Total program services	<u>1,894,175</u>	<u>-</u>	<u>-</u>	<u>1,894,175</u>
Supporting services				
Administrative	327,012	-	-	327,012
Fund raising	166,396	-	-	166,396
Fund raising - Walk for Hearing	290,745	-	-	290,745
Total supporting services	<u>784,153</u>	<u>-</u>	<u>-</u>	<u>784,153</u>
Total expenses	<u>2,678,328</u>	<u>-</u>	<u>-</u>	<u>2,678,328</u>
CHANGE IN NET ASSETS	311,951	(136,401)	10,894	186,444
<b>NET ASSETS</b>				
Beginning of year	<u>567,136</u>	<u>330,408</u>	<u>183,690</u>	<u>1,081,234</u>
End of year	<u>\$ 879,087</u>	<u>\$ 194,007</u>	<u>\$ 194,584</u>	<u>\$ 1,267,678</u>

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>				
Contributions	\$ 891,282	\$ 192,182	\$ 2,690	\$ 1,086,154
Grants and contracts	4,412	-	-	4,412
Membership dues	225,423	-	-	225,423
Advertising	151,453	-	-	151,453
Convention	378,085	-	-	378,085
Publication sales	3,596	-	-	3,596
Investment income	9,415	4,051	(3,668)	9,798
Other revenue	55,971	-	-	55,971
Net assets released from restrictions				
Satisfaction of purpose restrictions	63,136	(63,136)	-	-
Total public support and revenues	1,782,773	133,097	(978)	1,914,892
<b>EXPENSES</b>				
Program services				
Chapters	98,844	-	-	98,844
Convention	351,667	-	-	351,667
Journal	212,164	-	-	212,164
Membership	196,741	-	-	196,741
Publications	3,580	-	-	3,580
Advocacy	80,059	-	-	80,059
RERC-HAT Training Expenses	18,508	-	-	18,508
States	34,720	-	-	34,720
HAT Center	414	-	-	414
American Academy of Hearing Loss support specialists	24,427	-	-	24,427
Captioning	5,754	-	-	5,754
Loop Project	32,340	-	-	32,340
Total program services	1,059,218	-	-	1,059,218
Supporting services				
Administrative	324,210	-	-	324,210
Fund raising	177,355	-	-	177,355
Fund raising - Walk for Hearing	306,147	-	-	306,147
Total supporting services	807,712	-	-	807,712
Total expenses	1,866,930	-	-	1,866,930
<b>CHANGE IN NET ASSETS</b>	(84,157)	133,097	(978)	47,962
<b>NET ASSETS</b>				
Beginning of year	651,293	197,311	184,668	1,033,272
End of year	\$ 567,136	\$ 330,408	\$ 183,690	\$ 1,081,234

See accompanying notes to financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

	Program Services												Supporting Services					
	Chapters	Convention	Journal	Membership	Publications	Advocacy	RERC-HAT Training Expense	States	American Academy of Hearing Loss Support Specialists	Hear 2 Care	Captioning	Loop Project	Total Program Services	Administrative	Fund Raising	Fundraising - Walk for Hearing	Total Supporting Services	Total
Salaries	\$ 54,676	\$ 74,468	\$ 50,518	\$ 96,268	\$ -	\$ 59,201	\$ 11,271	\$ 7,802	\$ 7,365	\$ -	\$ 5,558	\$ 25,613	\$ 392,740	\$ 168,275	\$ 8,838	\$ 112,439	\$ 289,552	\$ 682,292
Payroll taxes	4,288	6,217	4,272	9,408	-	5,132	961	637	595	-	425	1,882	33,817	16,755	740	9,531	27,026	60,843
Employee benefits	8,535	2,903	2,936	6,066	-	11,213	-	193	913	-	-	-	32,759	14,033	1,424	7,584	23,041	55,800
Total salaries and related expenses	67,499	83,588	57,726	111,742	-	75,546	12,232	8,632	8,873	-	5,983	27,495	459,316	199,063	11,002	129,554	339,619	798,935
Printing	-	15,083	71,790	2,363	-	-	-	-	-	-	-	4,040	93,276	99	29,461	58,450	88,010	181,286
Travel and meals	518	2,465	-	116	-	3,295	8,286	-	630	-	-	3,066	18,376	1,472	2,942	26,884	31,298	49,674
Rent	7,954	11,526	9,547	14,185	-	9,348	-	2,952	3,737	-	-	-	59,249	26,099	11,550	20,241	57,890	117,139
Postage	1,185	979	15,584	6,025	1,485	10	47	-	-	-	-	-	25,315	1,759	8,554	3,164	13,477	38,792
Equipment rental	797	45,314	1,147	2,103	-	1,094	-	381	394	-	-	25,602	76,832	3,122	1,258	2,286	6,666	83,498
Depreciation	2,007	2,909	2,409	3,580	-	2,359	-	745	943	-	-	-	14,952	6,288	2,915	5,108	14,311	29,263
Accounting and legal	-	-	-	-	-	-	-	-	-	-	-	-	-	15,220	-	-	15,220	15,220
Consulting	-	-	-	-	-	-	-	-	-	-	-	5,000	5,000	5,500	61,500	-	67,000	72,000
Commissions	-	27,146	31,802	-	-	-	-	-	-	-	-	-	58,948	4,403	-	-	4,403	63,351
Events	589,675	236,962	-	-	-	-	-	-	-	8,935	-	68,074	903,646	-	666	-	666	904,312
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-	-	18,192	-	-	18,192	18,192
Repairs and maintenance	3,442	4,980	4,116	6,054	-	4,035	-	1,259	1,615	-	-	-	25,501	11,363	4,982	8,708	25,053	50,554
Telephone	721	1,375	1,149	1,278	-	847	-	266	339	-	-	-	5,975	2,818	1,046	5,481	9,345	15,320
Supplies	366	21,792	791	1,546	-	776	65	243	(250)	-	-	4,356	29,685	3,156	3,330	11,676	18,162	47,847
Bank fees	15	463	-	13,299	-	-	-	-	-	-	-	-	13,777	-	13,295	-	13,295	27,072
Captioning services	-	12,467	-	-	-	-	2,934	71	-	-	-	5,519	20,991	4,960	-	-	4,960	25,951
Volunteer recognition	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	-	400	400
Dues and subscriptions	-	450	-	-	-	2,213	-	-	90	-	-	-	2,753	1,204	1,295	371	2,870	5,623
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	360	-	-	360	360
Staff training	-	-	-	-	-	-	-	-	-	-	-	-	-	25	-	100	125	125
Investment fees	-	-	-	-	-	-	-	-	-	-	-	-	-	30	-	-	30	30
Public relations	827	320	-	2,646	-	190	-	-	-	-	-	6,200	10,183	130	3,772	3,185	7,087	17,270
Insurance	(347)	584	484	719	-	474	-	150	189	-	-	-	2,253	(184)	585	276	677	2,930
Payroll services	233	338	280	416	-	274	-	87	109	-	-	-	1,737	765	338	593	1,696	3,433
Licenses/taxes	-	-	-	8,967	-	-	-	-	-	-	-	-	8,967	238	-	-	238	9,205
Miscellaneous	2,305	-	-	-	-	-	-	-	-	-	-	1,210	3,515	597	-	-	597	4,112
Awards	699	6,941	125	-	-	-	-	-	-	-	-	-	7,765	516	-	-	516	8,281
Office equipment	654	948	785	1,404	-	769	-	243	307	-	-	-	5,110	2,177	950	1,736	4,863	9,973
Storage	190	276	228	339	-	223	-	71	89	-	-	-	1,416	624	276	484	1,384	2,800
Website	143	-	-	4,130	-	-	-	-	978	-	-	119	5,370	90	-	-	90	5,460
Convio	4,599	6,668	5,522	8,204	-	5,407	-	1,707	2,160	-	-	-	34,267	16,526	6,679	12,448	35,653	69,920
<b>Total</b>	<b>\$ 683,482</b>	<b>\$ 483,574</b>	<b>\$ 203,485</b>	<b>\$ 189,116</b>	<b>\$ 1,485</b>	<b>\$ 106,860</b>	<b>\$ 23,564</b>	<b>\$ 16,807</b>	<b>\$ 20,203</b>	<b>\$ 8,935</b>	<b>\$ 5,983</b>	<b>\$ 150,681</b>	<b>\$ 1,894,175</b>	<b>\$ 327,012</b>	<b>\$ 166,396</b>	<b>\$ 290,745</b>	<b>\$ 784,153</b>	<b>\$ 2,678,328</b>

See accompanying notes to financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	Program Services											Supporting Services						
	Chapters	Convention	Journal	Membership	Publications	Advocacy	RERC-HAT Training Expenses	States	HAT Center	American Academy of Hearing Loss Support Specialists	Captioning	Loop Project	Total Program Services	Administrative	Fund Raising	Fundraising - Walk for Hearing	Total Supporting Services	Total
Salaries	\$ 44,374	\$ 47,297	\$ 58,042	\$ 84,992	\$ -	\$ 38,844	\$ 9,887	\$ 21,237	\$ -	\$ 11,984	\$ 5,345	\$ 15,368	\$ 337,370	\$ 166,714	\$ 26,368	\$ 109,030	\$ 302,112	\$ 639,482
Payroll taxes	3,257	3,923	4,752	7,991	-	3,535	701	1,675	-	951	409	1,129	28,323	15,962	2,117	9,021	27,100	55,423
Employee benefits	5,054	2,068	2,789	6,067	-	7,481	400	226	-	706	-	-	24,791	9,594	1,075	4,969	15,638	40,429
Total salaries and related expenses	52,685	53,288	65,583	99,050	-	49,860	10,988	23,138	-	13,641	5,754	16,497	390,484	192,270	29,560	123,020	344,850	735,334
Printing	-	28,739	69,370	27,465	-	-	-	-	-	-	-	5,220	130,794	1,397	26,514	44,766	72,677	203,471
Travel and meals	16,801	6,930	-	44	-	717	5,915	-	-	-	-	362	30,769	1,660	5,341	20,069	27,070	57,839
Rent	4,877	12,329	11,474	14,690	-	10,254	-	4,299	-	2,882	-	-	60,805	31,017	9,873	19,283	60,173	120,978
Postage	1,802	1,813	16,627	9,625	1,709	122	180	-	-	-	-	-	31,878	2,582	14,040	6,451	23,073	54,951
Equipment rental	732	41,358	1,722	2,210	-	1,545	125	647	-	432	-	-	48,771	4,650	1,493	2,938	9,081	57,852
Depreciation	778	1,984	1,827	2,354	-	1,650	-	691	-	457	-	-	9,741	5,838	1,601	3,185	10,624	20,365
Accounting and legal	-	-	-	-	-	-	-	-	-	-	-	-	-	15,110	-	-	15,110	15,110
Consulting	-	-	-	-	-	-	-	-	-	-	-	10,000	10,000	-	55,750	18,000	73,750	83,750
Commissions	-	17,496	29,153	-	-	-	-	-	-	-	-	-	46,649	4,781	-	-	4,781	51,430
Events	-	132,596	-	-	-	-	-	-	-	-	-	-	132,596	-	-	-	-	132,596
Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-	-	11,284	-	-	11,284	11,284
Repairs and maintenance	2,718	6,929	6,380	8,221	-	5,911	-	2,449	414	1,183	-	-	34,205	17,220	5,592	11,123	33,935	68,140
Telephone	407	1,274	1,688	1,319	-	784	-	328	-	215	-	-	6,015	2,247	766	3,617	6,630	12,645
Supplies	1,155	9,153	816	3,928	1,871	801	-	324	-	3,550	-	-	21,598	3,529	2,659	24,812	31,000	52,598
Bank fees	-	372	-	5,333	-	-	-	-	-	-	-	-	5,705	-	5,333	8,112	13,445	19,150
Captioning services	974	17,650	-	-	-	-	1,225	-	-	-	-	261	20,110	2,568	-	-	2,568	22,678
Volunteer recognition	-	-	-	-	-	-	-	-	-	-	-	-	-	410	-	-	410	410
Dues and subscriptions	-	660	-	17	-	831	-	-	-	185	-	-	1,693	1,540	1,307	100	2,947	4,640
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	281	-	-	281	281
Staff training	-	-	-	-	-	-	-	-	-	-	-	-	-	194	-	-	194	194
Investment fees	-	-	-	-	-	-	-	-	-	-	-	-	-	30	-	-	30	30
Temporary help	-	-	-	-	-	-	-	-	-	-	-	-	-	60	-	-	60	60
Public relations	10,000	-	-	5,439	-	75	-	-	-	-	-	-	15,514	140	9,312	6,764	16,216	31,730
Insurance	(264)	1,623	789	1,017	-	712	-	298	-	197	-	-	4,372	2,117	691	1,375	4,183	8,555
Payroll services	127	324	298	384	-	269	-	113	-	75	-	-	1,590	805	261	520	1,586	3,176
Licenses/taxes	-	-	-	6,738	-	-	-	-	-	-	-	-	6,738	1,123	1,521	-	2,644	9,382
Miscellaneous	1,049	-	-	-	-	-	-	-	-	-	-	-	1,049	843	100	-	943	1,992
Awards	175	9,442	-	-	-	-	-	-	-	-	-	-	9,617	1,032	-	-	1,032	10,649
Office equipment	1,906	715	-	5,415	-	715	75	-	-	-	-	-	8,826	1,826	-	791	2,617	11,443
Storage	120	305	281	362	-	254	-	106	-	70	-	-	1,498	758	246	490	1,494	2,992
Website	180	-	-	3,130	-	-	-	-	-	-	-	-	3,310	293	-	-	293	3,603
Convio	2,622	6,687	6,156	-	-	5,559	-	2,327	-	1,540	-	-	24,891	16,605	5,395	10,731	32,731	57,622
Total	\$ 98,844	\$ 351,667	\$ 212,164	\$ 196,741	\$ 3,580	\$ 80,059	\$ 18,508	\$ 34,720	\$ 414	\$ 24,427	\$ 5,754	\$ 32,340	\$ 1,059,218	\$ 324,210	\$ 177,355	\$ 306,147	\$ 807,712	\$ 1,866,930

See accompanying notes to financial statements.



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

**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 186,444	\$ 47,962
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net depreciation (appreciation) in fair value of investments	3,118	(387)
Depreciation and amortization	29,263	20,365
Permanently restricted contributions	(15,370)	(2,690)
Changes in assets and liabilities		
Accounts receivable	28,513	26,272
Prepaid expenses and deposits	21,528	(71,852)
Accounts payable	(7,642)	17,785
Accrued salaries and vacation payable	1,765	7,467
Deferred revenue	44,087	94,822
Liability on annuity contracts	(4,006)	(6,843)
Net cash provided by operating activities	287,700	132,901
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(80)	2,984
Proceeds from sales and maturities of investments	(6,076)	(5,194)
Purchases of property and equipment	(13,301)	(41,750)
Net cash used for investing activities	(19,457)	(43,960)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently restricted contributions	15,370	2,690
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	283,613	91,631
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	967,358	875,727
End of year	\$ 1,250,971	\$ 967,358
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid during the year	\$ 360	\$ 281
Income taxes paid	\$ 8,967	\$ 6,738

See accompanying notes to financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 1. ORGANIZATION AND NATURE OF BUSINESS**

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.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Method of Accounting** - The financial statements have been prepared using the accrual basis of accounting.

**Management Estimates and Assumptions** - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, HLAA considers cash in operating bank accounts, cash on hand, certificates of deposit and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Investments** - Investments are stated at fair value. Donated investments are reflected as contributions at their market values at date of receipt.

**Property and Equipment** - Property and equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to twelve years.

**Annuities Payable** - Carrying amounts represent the present value of the contractual payments over the estimated remaining term, which approximates the fair value of these obligations.

**Revenue Recognition** - Revenue received before it is earned is recorded as deferred revenue. Membership dues are recorded as income in the year they are received.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets 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 in-kind contributions in 2011 or 2010.

Additionally, a number of volunteers have contributed significant amounts of time to the activities of the organization 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.

**Expense Allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Subsequent Events Review** - Subsequent events have been evaluated through September 27, 2012, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

**NOTE 3. INVESTMENTS**

Investments at December 31, 2011 and 2010, respectively, consist of the following:

	<u>2011</u>	<u>2010</u>
Short-term investments	\$ 23,617	\$ 19,879
Stocks	3,056	1,210
Stock, long-term investment - permanently restricted	86,000	90,451
Mutual funds - equity	12,073	13,008
Mutual fund - fixed income	42,843	42,574
Variable annuity contracts	17,572	16,938
Life insurance contracts	<u>21,923</u>	<u>19,986</u>
Long-term portion	<u>\$ 207,084</u>	<u>\$ 204,046</u>

**NOTE 3. INVESTMENTS (CONTINUED)**

During the years ended December 31, 2011 and 2010, the permanently restricted stock appreciated (depreciated) by \$(4,476) and \$(3,688) respectively. Investment income for the years ended December 31, 2011 and 2010, respectively, is as follows:

	<u>2011</u>	<u>2010</u>
Interest	\$ 4,416	\$ 5,747
Dividends	2,797	3,664
Net appreciation (depreciation) in fair value of investments	<u>314</u>	<u>387</u>
Total investment income	<u>\$ 7,527</u>	<u>\$ 9,798</u>

**Long-Term Securities** - 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 stock has been reported as a long-term investment in the accompanying financial statements.

**Pooled Income Fund** - In 1989, HLAA established a pooled income fund within the meaning of Rev. Proc. 88-53 and Section 642 (c)(5) of the Internal Revenue Code. The Fund is designated to provide long-range support for HLAA, and to provide a source of income for the donor and his or her beneficiaries.

**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 investments in the contracts have been recorded as an asset at market value in the accompanying financial statements. An estimated liability for payments to the annuitants has also been recorded in the financial statements.

**Life Insurance** - HLAA is the owner of 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 cash surrender value in the accompanying financial statements.

For assets and liabilities measured at fair value on a recurring basis, generally accepted accounting principles require quantitative disclosures about fair value measurements separately for each major category of assets and liabilities. Accounting standards further clarify the definition of fair value for financial reporting, establishes a hierarchal disclosure framework for measuring fair value and require additional disclosures about the use of fair value measurements.

### NOTE 3. INVESTMENTS (CONTINUED)

The three levels of fair value are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the investments as of December 31, 2011:

<u>Description</u>	<u>Total Investments at 12/31/11</u>	<u>Quoted Market Prices for Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stocks	\$ 89,056	\$ 89,056	\$ -	\$ -
Pooled income fund	78,533	78,533	-	-
Variable annuity and life insurance contracts	39,495	-	-	39,495
	<u>\$ 207,084</u>	<u>\$ 167,122</u>	<u>\$ -</u>	<u>\$ 39,495</u>

#### Changes in Level 3 Category

Beginning balance – 01/01/11	\$ 36,924
Net purchases	425
Net gains (realized and unrealized)	2,146
Ending balance – 12/31/11	<u>\$ 39,495</u>

Net gains (realized and unrealized) reported above are included in investment income on the accompanying statements of activities. The amount of the net gains related to investments held at December 31, 2011 was \$2,146.

**NOTE 3. INVESTMENTS (CONTINUED)**

The following is a summary of the inputs used to value the investments as of December 31, 2010:

<u>Description</u>	<u>Total Investments at 12/31/10</u>	<u>Quoted Market Prices for Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level3)</u>
Common stocks	\$ 91,661	\$ 91,661	\$ -	\$ -
Pooled income fund	75,461	75,461	-	-
Variable annuity and life insurance contracts	<u>36,924</u>	<u>-</u>	<u>-</u>	<u>36,924</u>
	<u>\$ 204,046</u>	<u>\$ 167,122</u>	<u>\$ -</u>	<u>\$ 36,924</u>

**Changes in Level 3 Category**

Beginning balance – 01/01/10	\$ 34,053
Net purchases	409
Net gains (realized and unrealized)	<u>2,462</u>
Ending balance – 12/31/10	<u>\$ 36,924</u>

Net gains (realized and unrealized) reported above are included in investment income on the accompanying statements of activities. The amount of the net gains related to investments held at December 31, 2010 was \$2,184.

**NOTE 4. DEFERRED REVENUE**

Deferred revenue at December 31 consists of the following:

	<u>2011</u>	<u>2010</u>
Convention	\$ 184,866	\$ 133,194
Journal advertising	8,860	10,160
Walk	17,500	17,500
Loop Conference	<u>-</u>	<u>6,285</u>
Total	<u>\$ 211,226</u>	<u>\$ 167,139</u>

## NOTE 5. RESTRICTIONS ON NET ASSETS

HLAA's investment funds consist of 14 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 Boards of Trustees have 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, (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, and (d) unrealized appreciation or depreciation in the value of the permanently restricted investments; however, the value of the investments shall not fall below the value of the original contribution except in cases where the donor has expressly prohibited HLAA from selling the originally gifted securities. The remaining portion of donor-restricted funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets or unrestricted 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 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

### Permanent Restrictions

As part of the 'Rocky 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 Stone Fund' are currently 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 earning thereon are temporarily restricted to fund certain annual expenses. Earnings on the 'Victor and Teru Matsui Fund' are currently temporarily restricted for the funding of chapter-related matters.

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

**NOTE 5. RESTRICTIONS ON NET ASSETS (CONTINUED)**

Temporary Restrictions

As noted above, HLAA has received, and will continue to receive contributions as part of the 'Rocky Stone Fund' whose income is currently temporarily restricted to the funding of HLAA convention scholarship aid. HLAA also receives funds which are primarily temporarily restricted, but include a portion of funds which are available for unrestricted purposes. In many cases, the earnings on the investment of temporarily restricted funds are not similarly restricted. As noted above, 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.

As of December 31, 2011, restricted and designated balances in HLAA's funds, by net asset class, are as follows:

<u>Fund</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board reserve	\$ 611,885	\$ -	\$ -	\$ 611,885
Pooled Income fund	-	78,533	-	78,533
CI Booklet	-	291	-	291
Walk Video	-	2,000	-	2,000
Work kit	-	5,000	-	5,000
Cochlear ear implant	-	70	-	70
Legal settlement contributions	-	86,375	-	86,375
DVD	-	7,675	-	7,675
Ocean County #1	-	911	-	911
Ocean County #2	-	7,015	-	7,015
Ocean County #3	-	6,021	-	6,021
Permanently restricted stock	-	-	86,007	86,007
Vic and Teru Matsui Fund	-	16	10,705	10,721
Rocky Stone Endowment fund	-	100	97,872	97,972
	<u>\$ 611,885</u>	<u>\$ 194,007</u>	<u>\$ 194,584</u>	<u>\$ 1,000,476</u>



**NOTE 5. RESTRICTIONS ON NET ASSETS (CONTINUED)**

As of December 31, 2010, restricted and designated balances in HLAA's funds, by net asset class, are as follows:

<u>Fund</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board reserve	\$ 486,987	\$ -	\$ -	\$ 486,987
Pooled Income fund	-	75,461	-	75,461
CI Booklet	-	291	-	291
Hear 2 Care	-	8,935	-	8,935
Walk Video	-	2,000	-	2,000
Work kit	-	5,000	-	5,000
Cochlear ear implant	-	70	-	70
Legal settlement contributions	-	92,359	-	92,359
DVD	-	3,140	-	3,140
Loop Project	-	142,660	-	142,660
Permanently restricted stock	-	-	90,483	90,483
Rocky Stone Endowment fund	-	492	93,207	93,699
	<u>\$ 486,987</u>	<u>\$ 330,408</u>	<u>\$ 183,690</u>	<u>\$ 1,001,085</u>

**NOTE 6. 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 Unrestricted Net Assets or Board-Reserved Unrestricted Net Assets.

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 the Association.

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.

For 2011 and 2010, except for investment income allocable to a transfer from Permanently Restricted Net Assets in 2008, all investment income is allocated to Operating Unrestricted Net Assets. For future reporting periods, investment income will be allocated in a manner to be determined by the Board of Trustees.

**NOTE 6. UNRESTRICTED NET ASSETS (CONTINUED)**

Unrestricted Net Assets for 2011 and 2010 are allocated as follows:

	<u>Operations</u>	<u>Board- Reserved</u>	<u>Total</u>
Unrestricted Net Assets, January 1, 2010	\$ 204,694	\$ 446,599	\$ 651,293
Activity for year ended December 31, 2010:			
Excess of operating income over expense	(197,099)	-	(197,099)
Investment income	9,418	-	9,418
Released from temporarily restricted net assets	63,136	-	63,136
Bequests	<u>-</u>	<u>40,388</u>	<u>40,388</u>
Total activity for year ended December 31, 2010	<u>(124,545)</u>	<u>40,388</u>	<u>(84,157)</u>
Unrestricted net assets, December 31, 2010	80,149	486,987	567,136
Activity for year ended December 31, 2011			
Excess of operating income over expense	(3,366)	-	(3,366)
Investment income	8,276	-	8,276
Released from temporarily restricted net assets	182,143	-	182,143
Bequests	<u>-</u>	<u>124,898</u>	<u>124,898</u>
Total activity for year ended December 31, 2011	<u>187,053</u>	<u>124,898</u>	<u>311,951</u>
Unrestricted net assets, December 31, 2011	<u>\$ 267,202</u>	<u>\$ 611,885</u>	<u>\$ 879,087</u>

**NOTE 7. 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. Employer contributions to the plan were \$7,418 and \$6,235 for the years ended December 31, 2011 and 2010.

**NOTE 8. COMMITMENTS**

HLAA has entered into a lease for office space which expires June 30, 2020. Future minimum rent payments at December 31, 2011 are as follows:

Year Ending December 31:	
2012	\$ 124,734
2013	129,724
2014	134,912
2015	140,309
Thereafter	703,330

Rent expense was \$117,139 and \$120,978 in 2011 and 2010, respectively.

**NOTE 9. TAX STATUS**

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 years ended December 31, 2011 and 2010, HLAA paid income taxes of \$8,967 and \$6,738, respectively, for unrelated business income in connection with their magazine advertising activities.