

HEARING HEALTH FOUNDATION

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022**

HEARING HEALTH FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Hearing Health Foundation

Opinion

We have audited the accompanying financial statements of Hearing Health Foundation (the Foundation), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hearing Health Foundation as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hearing Health Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hearing Health Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hearing Health Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hearing Health Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Marcum LLP

Hartford, CT
January 23, 2024

HEARING HEALTH FOUNDATION

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2023 AND 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,001,955	\$ 1,500,211
Advertising and other receivables	12,500	28,588
Pledges receivable, current portion	2,654,574	1,890,459
Prepaid expense and deposits	<u>126,337</u>	<u>117,020</u>
Total Current Assets	<u>3,795,366</u>	<u>3,536,278</u>
Investments	7,730,191	7,156,485
Pledges receivable, net of current portion	112,850	1,664,308
Property and equipment, net	31,865	44,714
Lease right-of-use assets	<u>539,646</u>	<u>--</u>
Total Assets	<u>\$ 12,209,918</u>	<u>\$ 12,401,785</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 97,009	\$ 101,650
Current maturities of lease liabilities	116,306	--
Grants payable	--	24,965
Deferred rent	<u>--</u>	<u>35,952</u>
Total Current Liabilities	<u>213,315</u>	<u>162,567</u>
Non-Current Liabilities		
Lease liabilities - net of current portion	464,678	--
Security deposit	<u>18,006</u>	<u>--</u>
Total Non-Current Liabilities	<u>482,684</u>	<u>--</u>
Total Liabilities	<u>695,999</u>	<u>162,567</u>
Net Assets		
Without donor restrictions	3,188,290	3,535,769
With donor restrictions	<u>8,325,629</u>	<u>8,703,449</u>
Total Net Assets	<u>11,513,919</u>	<u>12,239,218</u>
Total Liabilities and Net Assets	<u>\$ 12,209,918</u>	<u>\$ 12,401,785</u>

The accompanying notes are an integral part of these financial statements.

HEARING HEALTH FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contributions	\$ 1,383,415	\$ 1,645,887	\$ 3,029,302	\$ 1,521,729	\$ 2,898,242	\$ 4,419,971
In-kind contributions	22,494,468	--	22,494,468	15,783,128	--	15,783,128
Publishing	81,485	--	81,485	83,506	--	83,506
Interest and dividends, net of fees of \$42,337 and \$56,038 in 2023 and 2022	100,849	75,354	176,203	131,083	--	131,083
Realized and unrealized gains (losses) on investments	597,588	128,802	726,390	(811,548)	9,241	(802,307)
Other income	1,818	--	1,818	35,648	--	35,648
Net assets released from restrictions	<u>2,227,863</u>	<u>(2,227,863)</u>	<u>--</u>	<u>1,773,273</u>	<u>(1,773,273)</u>	<u>--</u>
Total Revenue and Support	<u>26,887,486</u>	<u>(377,820)</u>	<u>26,509,666</u>	<u>18,516,819</u>	<u>1,134,210</u>	<u>19,651,029</u>
Expenses						
Program services	26,712,897	--	26,712,897	18,620,224	--	18,620,224
Management and general	193,834	--	193,834	385,830	--	385,830
Fundraising	328,234	--	328,234	636,269	--	636,269
Total Expenses	<u>27,234,965</u>	<u>--</u>	<u>27,234,965</u>	<u>19,642,323</u>	<u>--</u>	<u>19,642,323</u>
Change in Net Assets from Operations	<u>(347,479)</u>	<u>(377,820)</u>	<u>(725,299)</u>	<u>(1,125,504)</u>	<u>1,134,210</u>	<u>8,706</u>
Net Assets - Beginning	<u>3,535,769</u>	<u>8,703,449</u>	<u>12,239,218</u>	<u>4,661,273</u>	<u>7,569,239</u>	<u>12,230,512</u>
Net Assets - End	<u>\$ 3,188,290</u>	<u>\$ 8,325,629</u>	<u>\$ 11,513,919</u>	<u>\$ 3,535,769</u>	<u>\$ 8,703,449</u>	<u>\$ 12,239,218</u>

The accompanying notes are an integral part of these financial statements.

HEARING HEALTH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Services					Management and General	Fundraising	Total
	Research Grants	Magazine Management	Communication and Education	Hearing Restoration Project	Total			
In-kind expense	\$ --	\$ --	\$ 22,494,468	\$ --	22,494,468	\$ --	\$ --	22,494,468
Salaries	165,247	275,414	275,412	165,247	881,320	110,165	110,165	1,101,650
Payroll taxes and benefits	48,072	60,088	60,088	36,053	204,301	24,035	12,018	240,354
Grants and allocations	639,508	--	--	1,599,430	2,238,938	--	--	2,238,938
Consultants	3,884	10,357	2,589	2,589	19,419	1,295	--	20,714
Honoraria	6,000	--	--	37,506	43,506	--	--	43,506
Professional fees	51,446	54,765	79,841	83,952	270,004	39,467	138,570	448,041
Bank, credit card and other fees	7,856	3,928	3,928	6,547	22,259	--	3,928	26,187
Database	1,783	7,133	1,783	1,783	12,482	892	4,458	17,832
Insurance	2,384	2,980	2,980	2,384	10,728	596	596	11,920
Marketing and promotional materials	9	60	183	46	298	--	160	458
Registrations and state filings	--	--	--	--	--	1,010	13,416	14,426
Website	--	260	297	--	557	--	186	743
Editorial, artwork and design	--	83,550	--	--	83,550	--	--	83,550
Dues and subscriptions	2,343	9,376	2,344	2,344	16,407	1,172	5,860	23,439
Computer expenses	1,256	1,569	1,569	1,255	5,649	314	314	6,277
Storage	348	434	434	348	1,564	87	87	1,738
Supplies	1,028	1,285	1,285	1,028	4,626	257	257	5,140
Telephone/internet	1,049	1,310	1,310	1,048	4,717	262	262	5,241
Printing and reproduction	--	55,733	5,736	--	61,469	90	1,036	62,595
Occupancy	23,143	28,929	28,929	23,143	104,144	5,786	5,786	115,716
Postage and shipping	--	82,915	20,337	--	103,252	1,768	20,337	125,357
Travel	5,792	2,399	7,197	38,519	53,907	2,399	5,583	61,889
Conferences/conventions/meetings	1,951	975	2,926	10,729	16,581	975	1,951	19,507
Depreciation	3,374	4,218	4,218	3,375	15,185	844	844	16,873
Other expenses	9,681	12,102	12,102	9,681	43,566	2,420	2,420	48,406
	<u>\$ 976,154</u>	<u>\$ 699,780</u>	<u>\$ 23,009,956</u>	<u>\$ 2,027,007</u>	<u>\$ 26,712,897</u>	<u>\$ 193,834</u>	<u>\$ 328,234</u>	<u>\$ 27,234,965</u>

The accompanying notes are an integral part of these financial statements.

HEARING HEALTH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services				Total	Management and Fundraising		Total
	Research Grants	Magazine Management	Communication and Education	Hearing Restoration Project		General	Fundraising	
In-kind expense	\$ --	\$ --	\$ 15,783,128	\$ --	15,783,128	\$ --	\$ --	15,783,128
Salaries	69,939	64,338	78,211	54,153	266,641	270,215	314,521	851,377
Payroll taxes and benefits	14,647	13,473	16,378	11,341	55,839	56,587	65,865	178,291
Grants and allocations	397,652	--	--	1,199,852	1,597,504	--	--	1,597,504
Consultants	5,070	13,519	80,378	3,380	102,347	1,690	6,760	110,797
Honoraria	6,000	--	--	36,984	42,984	--	--	42,984
Professional fees	33,582	35,749	168,418	54,164	291,913	28,164	179,331	499,408
Bank, credit card and other fees	4,954	2,477	2,477	4,128	14,036	--	2,477	16,513
Database	6,908	27,633	6,908	6,908	48,357	3,454	17,271	69,082
Insurance	2,360	2,950	2,950	2,360	10,620	590	590	11,800
Marketing and promotional materials	6	40	124	31	201	--	109	310
Registrations and state filings	--	--	--	--	--	738	9,807	10,545
Website	--	97	111	--	208	--	69	277
Editorial, artwork and design	--	50,621	--	--	50,621	--	--	50,621
Dues and subscriptions	1,897	7,586	1,897	1,897	13,277	948	4,741	18,967
Computer expenses	837	1,046	1,046	837	3,766	209	209	4,185
Storage	80	100	100	80	360	20	20	400
Supplies	2,161	2,701	2,701	2,161	9,724	540	540	10,804
Telephone/internet	1,016	1,270	1,270	1,016	4,572	254	254	5,080
Printing and reproduction	--	59,463	952	--	60,415	83	952	61,450
Occupancy	29,858	37,323	37,323	29,858	134,362	7,465	7,465	149,291
Postage and shipping	--	65,743	6,682	--	72,425	581	6,682	79,688
Travel	2,912	1,456	4,368	16,015	24,751	1,456	3,639	29,846
Conferences/conventions/meetings	436	218	653	2,396	3,703	218	436	4,356
Depreciation	3,303	4,128	4,128	3,303	14,862	826	826	16,513
Contract personnel	3,022	2,780	3,379	2,340	11,521	11,676	13,590	36,787
Other expenses	463	580	580	464	2,087	116	116	2,319
	<u>\$ 587,103</u>	<u>\$ 395,291</u>	<u>\$ 16,204,162</u>	<u>\$ 1,433,668</u>	<u>\$ 18,620,224</u>	<u>\$ 385,830</u>	<u>\$ 636,269</u>	<u>\$ 19,642,323</u>

The accompanying notes are an integral part of these financial statements.

HEARING HEALTH FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (725,299)	\$ 8,706
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Donated investments	(321,504)	(160,106)
Realized and unrealized (gains) losses on investments	(726,390)	802,307
Depreciation	16,873	16,513
Amortization of right-of use asset	107,479	--
Change in beneficial interest in charitable remainder unitrust	--	246,538
Changes in operating assets and liabilities:		
Advertising and other receivables	16,088	(1,058)
Pledges receivable	787,343	(1,943,841)
Prepaid expenses and deposits	(9,317)	(11,575)
Accounts payable and accrued expenses	(4,641)	19,438
Grants payable	(24,965)	24,965
Deferred rent	--	4,436
Lease liabilities	(102,093)	--
Security deposit	18,006	--
Net Cash Used in Operating Activities	<u>(968,420)</u>	<u>(993,677)</u>
Cash Flows from Investing Activities		
Purchase of equipment	(4,024)	(4,634)
Purchases of investments	(2,915,667)	(4,382,130)
Proceeds from sales of investments	3,389,855	5,425,376
Net Cash Provided by Investing Activities	<u>470,164</u>	<u>1,038,612</u>
Net Change in Cash and Cash Equivalents	(498,256)	44,935
Cash and Cash Equivalents - Beginning	<u>1,500,211</u>	<u>1,455,276</u>
Cash and Cash Equivalents - End	<u>\$ 1,001,955</u>	<u>\$ 1,500,211</u>

The accompanying notes are an integral part of these financial statements.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Hearing Health Foundation (the Foundation) is a New York not-for-profit corporation that furthers research in the causes, treatments and prevention of deafness and other hearing disorders. In 2011, the Foundation changed its name from Deafness Research Foundation to Hearing Health Foundation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

NET ASSETS

The Foundation follows the provisions of FASB ASC 958, *Not-for-Profit Entities*. FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics are combined into the following categories:

Net Assets Without Donor Restrictions – Net assets without donor restrictions consist of the net assets over which the governing board has control to use in carrying out the operations of the Foundation in accordance with its by-laws and are not restricted by donor-imposed restrictions.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of net assets whose use is limited by donor-imposed restrictions which either expire with the passage of time (time restriction) or can be fulfilled and removed by actions of the Foundation pursuant to the restrictions (purpose restrictions). When donor-imposed restrictions expire, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions. In addition, net assets that represent contributions that are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the actions of the Foundation are also included within net assets with donor restrictions.

CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid investments, including money market funds with a maturity date of three months or less from the date of purchase, to be cash equivalents. The Foundation's deposits in financial institutions may, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Board of Directors and Finance Committee believes that these deposits are not subject to significant credit risk.

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses on investments includes the Foundation's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses on these investments are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the financial statements.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT VALUATION AND INCOME RECOGNITION (CONTINUED)

As further discussed in Note 6, a permanent endowment was established by donor-restricted contributions to the Foundation with the restriction not to distribute any portion of the principal contributed. At times the Foundation may hold investments in excess of amounts restricted and all investments held, with and without donor-restriction, are categorized as investments on the statements of financial position.

The Board of Directors has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment income while seeking to preserve the endowment corpus. Endowment assets include those assets of donor-restricted funds that the Foundation holds in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a prudent manner that is intended to stress safety and strive for growth.

The endowment is held in one or more accounts in the name of the Foundation, but segregated from those accounts used to support its operations.

CONTRIBUTIONS

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value only when the conditions on which they depend are substantially met and the promises become unconditional.

The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions unless the restriction relates to long-lived assets. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, with donor restrictions and without donor restrictions in the statements of activities and changes in net assets. It is the Foundation's intent to distribute the funds raised in the current fiscal year as grants distributed to others in subsequent years.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to six years.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

The Foundation's capitalization threshold is \$1,000 with a projected useful life exceeding one year. Additions and improvements which extend the life of the assets are capitalized, and normal repairs and maintenance are charged to current operations. The costs and related accumulated depreciation of assets retired or disposed of are removed from the related accounts and the resulting gain or loss is reflected in income.

IN-KIND CONTRIBUTIONS

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Starting in fiscal year 2022, the Foundation received donated public service announcement (PSA) airtime that met the criteria for recognition as in-kind contributions and expense. The Foundation utilized the airtime to run an educational PSA campaign. The services were valued by the media placement organization based on the estimated fair value of the airtime received as determined by market research data. The amount of recognized in-kind contributions and expense for the year ended September 30, 2023 and 2022 was \$22,494,468 and \$15,783,128, respectively.

Additionally, the Foundation has many dedicated volunteers who have donated numerous hours of service in grant review and related activities. Because most of those donated services do not meet the recognition criteria, such services have not been recognized as contributions and expense in the Foundation's financial statements.

FUNCTIONAL EXPENSE ALLOCATIONS

The costs of providing the various programs and other activities of the Foundation have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management based on estimated level of effort for salaries and related expenses and the estimated value of the benefit received for all other expenses.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING RECEIVABLE

The Foundation is the owner of "Hearing Health Magazine" and during 2023 and 2022, engaged an outside consultant in the solicitation and sale of advertising space as well as the advancement and promotion of this magazine. Publishing income is recognized from advertisements when published after deduction of commissions. Amounts received prior to the advertisements being published are deferred until the publication date.

PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. A discount rate of 3.83% and 1.48% was used as of September 30, 2022 and 2021, respectively, which represents the 10-year Treasury Note discount rate. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

As an incentive to solicit new donors to name the Foundation in their estate planning, a recurring donor has agreed to provide matching contributions for new planned giving agreements solicited by the Foundation through December 31, 2025. The matching contributions are not conditional upon payment by the underlying donors' estates but rather upon receipt of executed planned giving agreements. The matching contributions are recognized at the time of the execution of underlying donor agreements. Due to the uncertainty and intervening time period between receipt of the planned gift agreements and the death of the respective donors, the underlying donor agreements are not recognized as pledges receivable until such time as the payment is reasonably assured (generally at the time the Foundation is notified that the donor's will has been declared valid by the relevant judicial authority). Gross matching contributions included in pledges receivable for the planned giving campaign amounted to \$2,000,000 and \$1,185,000 at September 30, 2023 and 2022, respectively.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

In evaluating the collectability of accounts receivable, the Foundation analyzes and identifies trends for each of its sources of revenue to estimate the appropriate allowance for uncollectible accounts. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There is no allowance recorded as of September 30, 2023 and 2022 as balances are expected to be fully collectible.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Management has analyzed the tax positions taken and has concluded that as of September 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

ADOPTION OF NEW ACCOUNTING STANDARD

Effective October 1, 2022, the Foundation adopted FASB ASC 842, *Leases*. The Foundation determines if an arrangement contains a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances. The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carryforward the historical lease classification. The adoption of FASB ASC 842 resulted in the recognition of right-of-use-assets, net of prepaid lease payments and lease incentives of approximately \$652,000, operating lease liabilities of approximately \$688,000 and a reduction in deferred rent liabilities of approximately 36,000 as of October 1, 2022 (date of adoption). The adoption of FASB ASC 842 did not have a material impact on the Foundation's results of operations or cash flows. See Note 8.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 23, 2024, which is the date these financial statements were available to be issued. There have been no subsequent events that would require adjustment to, or disclosure in, the financial statements.

NOTE 2 - FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level of the asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for financial instruments measured at fair value.

Money Market Funds, Mutual and Exchange Traded Funds, Preferred Stocks, Common Stocks and Treasury Notes – Money market, mutual and exchange traded funds, preferred stocks, common stocks and treasury notes are valued at the daily closing price. The mutual and exchange traded funds held by the Foundation are deemed to be actively traded. Mutual and exchange traded funds held by the Foundation are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

Corporate Bonds – Corporate bonds are valued using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Beneficial Interest in Charitable Remainder Unitrust – Beneficial interest in charitable remainder unitrust is a non-endowment investment holding. The value is based on the value of the underlying assets held, which are valued using fair value on a recurring basis using significant unobservable inputs.

There have been no changes in the methodologies used at September 30, 2023 and 2022.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2023:

Description	2023			Total
	Level 1	Level 2	Level 3	
Common stocks	\$ 3,472,634	\$ --	\$ --	\$ 3,472,634
Preferred stocks	--	--	--	--
Mutual and exchange traded funds	246,771	--	--	246,771
Treasury notes	800,000	--	--	800,000
Corporate bonds	--	3,210,786	--	3,210,786
	<u>\$ 4,519,405</u>	<u>\$ 3,210,786</u>	<u>\$ --</u>	<u>\$ 7,730,191</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2022:

Description	2022			Total
	Level 1	Level 2	Level 3	
Common stocks	\$ 2,610,992	\$ --	\$ --	\$ 2,610,992
Preferred stocks	8,915	--	--	8,915
Mutual and exchange traded funds	381,837	--	--	381,837
Treasury notes	903,668	--	--	903,668
Corporate bonds	--	3,251,073	--	3,251,073
	<u>\$ 3,905,412</u>	<u>\$ 3,251,073</u>	<u>\$ --</u>	<u>\$ 7,156,485</u>

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The carrying amounts of cash and cash equivalents, accounts receivable, pledges receivable, prepaid expenses and other assets, beneficial interest in charitable remainder unitrust and accounts payable approximate their fair value because of the short-term nature of these instruments.

NOTE 3 - PLEDGES RECEIVABLE

The following is a summary of the pledges receivable as of September 30:

	2023	2022
Receivable in one year or less	\$ 2,654,574	\$ 1,890,459
Receivable between one and five years	<u>532,531</u>	<u>1,855,000</u>
Gross pledges receivable	3,187,105	3,745,459
Present value discount	<u>(419,681)</u>	<u>(190,692)</u>
Net pledges receivable	2,767,424	3,554,767
Less: current portion	<u>(2,654,574)</u>	<u>(1,890,459)</u>
Pledges receivable, less current portion	<u>\$ 112,850</u>	<u>\$ 1,664,308</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2023	2022
Furniture and equipment	\$ 104,578	\$ 100,555
Leasehold improvements	<u>41,776</u>	<u>41,776</u>
	146,354	142,331
Accumulated depreciation	<u>(114,489)</u>	<u>(97,617)</u>
	<u>\$ 31,865</u>	<u>\$ 44,714</u>

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with restrictions represent contributions, gifts, and income from investments that can be used for the purpose specified by the donor, and endowment investments. Donor-restricted endowment funds and contributions to the endowment fund are restricted in perpetuity. Any income earned on the endowment fund investments is considered with donor restrictions until distributed to the Foundation to support general operations. The endowment corpus from the funds provides investment income to fund the various programs and research noted below.

	2023	2022
Purpose restrictions:		
Research - Meniere's Disease	\$ 321,094	\$ 63,402
Research - Tinnitus	--	35,000
Research - Ushers Syndrome	9,477	9,477
Research - General	--	17,325
Total net assets with purpose restrictions	<u>330,571</u>	<u>125,204</u>
Time restriction:		
Pledges receivable	<u>2,767,424</u>	<u>3,554,767</u>
Total net assets with time restriction	<u>2,767,424</u>	<u>3,554,767</u>
Endowments, held in perpetuity:		
C.H.E.A.R. Endowment	118,768	118,768
Hearst Endowed Otological Fellowship	200,000	200,000
The Livermore Fund	<u>4,648,018</u>	<u>4,648,018</u>
Total net assets held in perpetuity	<u>4,966,786</u>	<u>4,966,786</u>
Endowments, unappropriated earnings		
C.H.E.A.R. Endowment	23,487	20,161
Hearst Endowed Otological Fellowship	25,652	19,188
The Livermore Fund	<u>211,709</u>	<u>17,343</u>
Total net assets held in perpetuity	<u>260,848</u>	<u>56,692</u>
Total net assets with donor restrictions	<u>\$ 8,325,629</u>	<u>\$ 8,703,449</u>

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	2023	2022
Hearing Restoration Project	\$ 750,935	\$ 356,780
Research - general	638,678	916,988
Emerging Research Grants	155,794	252,967
Other	70,099	--
Beneficial interest in charitable remainder unitrust	--	246,538
Time restriction	612,357	--
	<u>\$ 2,227,863</u>	<u>\$ 1,773,273</u>

NOTE 6 - ENDOWMENTS

INTERPRETATION OF RELEVANT LAW

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as Board-designated endowment funds. The Board of Directors of the Foundation has interpreted relevant law to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (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 is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by relevant law.

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide capital preservation and total return. The overall rate of return objective of the portfolio shall be a reasonable “real” rate that is consistent with the risk levels.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 6 - ENDOWMENTS (CONTINUED)

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate objectives within the established risk parameters the Foundation's assets are divided into three major asset classes consisting of cash, corporate bonds, and mutual funds and exchange traded funds.

SPENDING POLICY

Spending policy will be at the discretion of the Board of Directors of the Foundation as determined by the governing documents for the various restricted funds that make up the portfolio and applicable federal and state laws.

CHANGES IN ENDOWMENT

The changes in endowment funds for the year ended September 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, October 1, 2022	\$ 592,565	\$ 5,023,478	\$ 5,616,043
Investment income, net	19,862	75,354	95,216
Realized and unrealized (losses) gains, net	<u>(9,724)</u>	<u>128,802</u>	<u>119,078</u>
Balance, September 30, 2023	<u>\$ 602,703</u>	<u>\$ 5,227,634</u>	<u>\$ 5,830,337</u>

The changes in endowment funds for the year ended September 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, October 1, 2021	\$ 639,130	\$ 5,014,237	\$ 5,653,367
Investment income, net	13,966	73,153	87,119
Realized and unrealized losses, net	<u>(60,531)</u>	<u>(63,912)</u>	<u>(124,443)</u>
Balance, September 30, 2022	<u>\$ 592,565</u>	<u>\$ 5,023,478</u>	<u>\$ 5,616,043</u>

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 6 - ENDOWMENTS (CONTINUED)

FUNDS WITH DEFICIENCIES

Due to unfavorable market fluctuations from time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor required the Foundation to retain as a fund of perpetual duration. There was no deficit for the years ended September 30, 2023 and 2022.

NOTE 7 - RETIREMENT PLAN

Effective September 12, 2016, all employees of the Foundation are eligible to participate in the Foundation's sponsored 403(b) plan. During 2016, the Board of Directors approved an employer match for any contributing employee that has been employed by the Foundation for a minimum of six months of up to \$3,000 of employee contributions per year. During August 2021, the Board of Directors approved an increase in the employer match of up to \$5,000. During 2023 and 2022 there were six and five contributing employees to the plan and the employer match was \$32,680 and \$28,285, respectively, which has been included as part of payroll taxes and benefits on the accompanying statements of functional expenses.

NOTE 8 - LEASES

During 2020, the Foundation entered into a lease agreement for office space and took occupancy of the building in July 2020. The terms of the lease are for a period of seven years and 4 months and rent expense is charged to operations over the term of the lease based on a straight-line basis. Total resulting rent expense incurred during 2023 and 2022 was \$136,793 and \$149,669, respectively.

The amounts included on the balance sheet relative to operating leases consisted of a right-of-use asset of \$539,646 and operating lease liabilities of \$580,984.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 8 - LEASES (CONTINUED)

Future minimum lease payments under the lease agreement as of September 30, 2023 are as follows for the year ending September 30:

2024	\$	139,737
2025		143,579
2026		147,528
2027		151,585
Thereafter		<u>12,891</u>
Total lease payments		595,320
Less: amounts representing interest		<u>(14,336)</u>
Present value of lease liability	\$	<u>580,984</u>

The following summarizes the cash flow information related to operating leases for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$	<u>135,997</u>
Operating lease assets obtained in exchange for lease liabilities	\$	<u>651,715</u>

Weighted average lease term and discount rate as of September 30, 2023 were as follows:

Weighted average remaining lease term	4.3 years
Weighted average discount rate	4.55%

The lease agreement required a security deposit of \$57,872. In lieu of a security deposit payment, the Foundation obtained an irrevocable letter of credit for the benefit of the landlord through U.S. Bank in the amount of \$57,872, originally expiring on January 31, 2022, with automatic annual renewals not to exceed January 31, 2028. As of September 30, 2023, there were no drawings on the letter of credit with U.S. Bank.

On March 30, 2023, the Foundation entered into a sublease agreement for the office space noted above. The lease expires on October 31, 2027 and required a security deposit of 18,006 from the subtenant. Monthly rental ranges from \$9,003 at inception of the lease and escalates to \$10,133 during the term of the lease.

HEARING HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 9 - CONCENTRATIONS

For the years ended September 30, 2023 and 2022, contributions from board members represented approximately 27% and 23% of total contributions, respectively and 63% and 57% of pledges receivable, respectively.

NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's primary sources of support are contributions received from donors. Financial assets in excess of operational requirements are invested in money market funds and other short-term investments.

The following table reflects the Foundation's available financial assets as of September 30, 2023 and 2022. None of the financial assets included within the table are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,001,955	\$ 1,500,211
Accounts receivable and current portion of pledges receivable	2,667,074	1,919,047
Investments not subject to restrictions	7,730,191	7,156,485
Less: amounts subject to donor restrictions	<u>(591,419)</u>	<u>(181,896)</u>
	<u>\$ 10,807,801</u>	<u>\$ 10,393,847</u>

The Foundation monitors its liquidity in order to meet operating needs, contractual commitments and other obligations as they come due.