

Center for Hearing and Communication

Financial Statements

Year Ended June 30, 2023



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Center for Hearing and Communication

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Independent Auditors' Report

Board of Directors of Center for Hearing and Communication

Opinion

We have audited the accompanying financial statements of Center for Hearing and Communication, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Hearing and Communication, as of June 30, 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Center for Hearing and Communication and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Center for Hearing and Communication'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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Center for Hearing and Communication'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 Center for Hearing and Communication, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Center for Hearing and Communication's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Broward County supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mazars USA LLP

October 20, 2023

Center for Hearing and Communication

Statements of Financial Position June 30, 2023 (with comparative totals for 2022)

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 434,383	\$ 883,291
Accounts receivable less insurance adjustment and allowance for doubtful accounts of \$40,766 for 2023 and \$73,545 for 2022	249,740	144,455
Contributions receivable, net, current portion	370,945	153,700
Investments at fair value	1,253,992	1,355,930
Grants receivable	230,094	296,444
Listening device inventory	44,771	14,189
Right of use assets, current portion	631,430	-
Prepaid expenses and other assets	81,584	87,069
Total current assets	3,296,939	2,935,078
Assets limited to use	250,027	265,742
Investments at fair value	2,413,251	2,198,145
Contributions receivable net, non-current portion	51,237	386,436
Beneficial interest in trusts	716,183	609,716
Right of use assets, non-current portion	7,403,630	-
Fixed assets, net	421,591	170,649
Total assets	<u>\$ 14,552,858</u>	<u>\$ 6,565,766</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 409,506	\$ 287,825
Accrued vacation payable	256,591	270,426
Deferred revenue	123,430	-
Line of credit	75,000	-
Lease liabilities, current portion	538,739	-
Loans payable, current portion	45,450	790
Total current liabilities	1,448,716	559,041
Deferred rent	-	387,285
Lease liabilities, non-current portion	7,990,890	-
Loans payable, non-current portion	179,885	-
Total liabilities	<u>9,619,491</u>	<u>946,326</u>
Net assets		
Without donor restrictions	710,686	1,338,929
With donor restrictions	4,222,681	4,280,511
Total net assets	<u>4,933,367</u>	<u>5,619,440</u>
Total liabilities and net assets	<u>\$ 14,552,858</u>	<u>\$ 6,565,766</u>

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

Center for Hearing and Communication

Statements of Activities

Year Ended June 30, 2023 (with comparative totals for 2022)

			Total	
	Without Donor Restriction	With Donor Restriction	2023	2022
Revenue				
Fee for service				
Patient service revenue, net	\$ 1,168,494	\$ -	\$ 1,168,494	\$ 1,121,430
Hearing aid sales, net of cost of goods sold of \$565,551 for 2023 and \$619,570 for 2022	637,671	-	637,671	547,166
Total fee for service	1,806,165	-	1,806,165	1,668,596
Public support				
Government grants and contracts	459,295	-	459,295	404,940
Broward county grants and contracts	1,070,058	-	1,070,058	1,133,170
Foundation and corporate grants	561,093	830,767	1,391,860	1,264,017
Contributions - operational support	252,301	-	252,301	290,050
Special event income, net of direct costs of \$239,029 for 2023 and \$113,148 for 2022	1,078,040	-	1,078,040	1,326,460
Total public support	3,420,787	830,767	4,251,554	4,418,637
Net assets released from restrictions	1,103,703	(1,103,703)	-	-
Investment income and other revenues				
Interest and dividend income	11,240	90,496	101,736	90,001
Net realized and unrealized gain (loss) on investments	-	124,610	124,610	(668,830)
Other income	67,618	-	67,618	42,995
Total investment income and other revenues	78,858	215,106	293,964	(535,834)
Total revenue	6,409,513	(57,830)	6,351,683	5,551,399
Expenses				
Program services	5,787,049	-	5,787,049	5,085,317
Management and general	593,133	-	593,133	541,492
Fundraising	657,574	-	657,574	624,496
Total expenses	7,037,756	-	7,037,756	6,251,305
Change in net assets	(628,243)	(57,830)	(686,073)	(729,439)
Net assets, beginning of year	1,338,929	4,280,511	5,619,440	6,348,879
Net assets, end of year	\$ 710,686	\$ 4,222,681	\$ 4,933,367	\$ 5,619,440

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

Center for Hearing and Communication

Statements of Functional Expenses

Year Ended June 30, 2023 (with comparative totals for 2022)

	Program Services			Supporting Services			Total	
	New York	Florida	Total Program Services	Management and General	Fundraising	Total Supporting Services	2023	2022
Salaries and related expenses:								
Salaries	\$ 2,373,751	\$ 1,009,383	\$ 3,383,134	\$ 285,903	\$ 399,358	\$ 685,261	\$ 4,068,395	\$ 3,776,615
Employee benefits and taxes	609,755	216,470	826,225	55,619	97,634	153,253	979,478	819,602
Total salaries and related expenses	2,983,506	1,225,853	4,209,359	341,522	496,992	838,514	5,047,873	4,596,217
Other expenses:								
Occupancy	690,761	114,539	805,300	65,789	65,789	131,578	936,878	859,545
Professional fees and contracted services	137,315	39,932	177,247	76,718	20,486	97,204	274,451	207,788
Program transportation	1,757	96,031	97,788	45	-	45	97,833	78,984
Program activities, meals and supplies	-	174,270	174,270	-	-	-	174,270	91,476
Office supplies	14,254	5,056	19,310	2,146	1,377	3,523	22,833	46,562
Printing and postage	8,973	557	9,530	399	7,797	8,196	17,726	15,817
Insurance	74,239	2,765	77,004	6,494	9,165	15,659	92,663	74,840
Repairs and maintenance	5,821	1,335	7,156	2,140	15,565	17,705	24,861	23,275
Telephone	18,924	6,564	25,488	2,103	2,336	4,439	29,927	28,002
Mobile testing unit	16,422	-	16,422	-	-	-	16,422	10,999
Equipment lease expense	19,782	7,513	27,295	1,715	1,904	3,619	30,914	39,312
Miscellaneous expenses	3,085	2,327	5,412	658	7,518	8,176	13,588	20,823
Conference and training	13,677	9,684	23,361	709	50	759	24,120	5,362
Dues and subscriptions	20,300	10,742	31,042	421	4,328	4,749	35,791	31,637
Advertising	2,368	3,456	5,824	539	820	1,359	7,183	1,931
Credit card fees and bank charges	-	2,184	2,184	63,529	65	63,594	65,778	51,872
Interest	-	-	-	22,215	-	22,215	22,215	6,613
Bad debts	-	-	-	-	20,506	20,506	20,506	(29,533)
Total expenses before depreciation	4,011,184	1,702,808	5,713,992	587,142	654,698	1,241,840	6,955,832	6,161,522
Depreciation	66,142	6,915	73,057	5,991	2,876	8,867	81,924	89,783
Total expenses	\$ 4,077,326	\$ 1,709,723	\$ 5,787,049	\$ 593,133	\$ 657,574	\$ 1,250,707	\$ 7,037,756	\$ 6,251,305

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

Center for Hearing and Communication

Statements of Cash Flows

Year Ended June 30, 2023 (with comparative totals for 2022)

	2023	2022
Cash flows from operating activities		
Changes in net assets	\$ (686,073)	\$ (729,439)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	81,924	89,783
Donated securities	30,969	50,117
Unrealized (gain) loss on investments	(75,768)	794,662
Realized gains on investments	(48,842)	(125,832)
Reduction in carrying amount of lease assets	574,176	-
Beneficial interest in trusts	(106,467)	98,551
Decrease in present value for contribution receivable	(3,252)	(6,040)
Accounts receivable	(105,285)	106,930
Contributions receivable	121,206	180,050
Grants receivable	66,350	(64,566)
Listening device inventory	(30,582)	(1,135)
Prepaid expenses and other assets	5,485	(86,689)
Increase (decrease) in:		
Accounts payable and accrued expenses	121,681	64,487
Accrued vacation payable	(13,835)	3,065
Operating lease liability	(466,892)	-
Deferred revenue	123,430	(114,888)
Deferred rent	-	44,636
Net cash (used in) provided by operating activities	(411,775)	303,692
Cash flows from investing activities		
Assets limited to use	15,715	-
Purchase of investments	(383,281)	(624,211)
Proceeds from sale of investments	363,754	433,060
Purchase of fixed assets	(332,866)	(53,648)
Net cash used in investing activities	(336,678)	(244,799)
Cash flows from financing activities		
Proceeds from line of credit	75,000	-
Proceeds from loan payable	250,500	-
Principal payments of loan payable	(25,955)	(69,068)
Net cash provided by (used in) financing activities	299,545	(69,068)
Net decrease in cash and cash equivalents	(448,908)	(10,175)
Cash and cash equivalents, beginning of year	883,291	893,466
Cash and cash equivalents, end of year	\$ 434,383	\$ 883,291
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 21,715	\$ 6,221

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

Center for Hearing and Communication

Notes to Financial Statements

Year Ended June 30, 2023 (with comparative totals for 2022)

1. Description of Organization

The Center for Hearing and Communication (“CHC”) provides a wide range of hearing healthcare services, emotional wellness treatment, and educational support to people of all ages who have a hearing loss, regardless of the ability to pay. CHC provides care to many who are uninsured or underinsured. With offices in New York City and Fort Lauderdale, CHC meets the myriad of services that are needed by individuals who are deaf or hard of hearing. CHC offers the highest level of clinical expertise and state-of-the-art technology. Clinical services that are provided include hearing screenings and evaluations, hearing aid fittings and sales, auditory-oral training to children who are deaf and hard of hearing from infancy through school-age, auditory training and speechreading training for adults, tinnitus retraining therapy, individual and group psychotherapy, and the evaluation and treatment of auditory processing disorders. Educational and community outreach programs include academic remediation and support, out-of-school-time programming, parent workshops, in-service trainings to other professionals, and one-on-one support to anyone affected by hearing loss.

CHC is the sole shareholder of Westside Listening and Learning, Inc. (“WLL”) a for-profit corporation established in 2013, which may provide speech and language therapy and education remediation for people with auditory processing disorders and other listening challenges. The activity of WLL which commenced operations in December 2013 is excluded from CHC’s financial statements. Neither the revenues and expenses, nor assets and liabilities, are material in relation to CHC taken as a whole.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes. The Board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management’s discretion.

As of June 30, 2023 and 2022, there were \$1,316,137 and \$1,304,897 of net assets with board restrictions, respectively.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Reclassification

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

Cash and Cash Equivalents

CHC considers all highly liquid financial instruments with maturity dates of three months or less from the date purchased to be cash equivalents, excluding assets whose use is restricted by donors. As of June 30, 2023, cash and cash equivalents with one financial institution exceeded Federal Deposit Insurance Corporation limits of \$250,000 per institution. The total uninsured cash balance as of June 30, 2023 was approximately \$254,000. Management believes that credit risk related to these accounts is minimal based on the historical credit worthiness of this financial institution.

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Investments

Investments in money market funds, equity securities and mutual funds with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Fair Value Measurements

Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements and Disclosures”, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable to be used when available. Observable inputs are inputs that market participants operating within the same marketplace as CHC would use in pricing CHC’s asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of CHC are traded. CHC estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on unadjusted quoted market prices in active markets for identical assets or liabilities. Since valuations are based on unadjusted quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 – Valuation based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices. Examples include corporate bonds (investment grade, high yield), mortgage-backed securities, bank loans, loan commitments, less liquid listed equities, municipal bonds and certain over-the-counter derivatives.

Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

Allowance for Doubtful Accounts

CHC maintains an allowance for potentially uncollectible accounts. This allowance is set up as a reserve based on the balances in the various aging categories and historical losses experienced relative to those categories, which is included in bad debt expense. When management determines that a receivable is uncollectible, the balance is removed from the receivable balance and is charged against the allowance. Subsequent recoveries of amounts previously written-off are credited directly to revenue.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Listening Device Inventory

Hearing aids are stated at the lower of cost (determined on a first-in, first-out basis) or net realizable value. Purchases of consumer ancillary supplies are considered expensed within the current fiscal year.

Deferred Revenue

CHC received advance payments in connection with fund raising events that occurred after the fiscal year end. Such payments were recorded as deferred revenue until the event has occurred.

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Fixed Assets

Fixed assets are stated at cost, or if donated, at fair market value as of the date of the gift. The cost of fixed assets is depreciated over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Scientific equipment	5-10
Furniture, fixtures and equipment	3-10
Mobile unit	10

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvement.

Impairment of Long-Lived Assets

CHC follows the provisions of ASC 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets", which requires CHC to review long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ended June 30, 2023 and 2022 there have been no such losses.

Deferred Rent

CHC recognized rent expense on a straight-line basis, based on the total rental payments due during the lease term. CHC records a deferred rent obligation to reflect the excess of rent expense over payments required according to the term of the lease since its inception.

Use of 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 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 results could differ from those estimates.

Patient Service Revenue, Including Third-Party Reimbursement

CHC accounts for patient service revenue, including third-party reimbursements under "Revenue from Contracts with Customer (Topic 606)".

CHC has a broad base of clients with various types of medical coverage. CHC processes its own patient service claims of Medicare, Medicaid, commercial insurance carriers and others. CHC records revenue when earned based on completed patient service appointments.

Patient service revenue is reported at the amount that reflects the consideration to which CHC expects to be entitled for providing patient care. These amounts are due from patients, third-party payors, and others. Insurance revenue is recorded at published charges with contractual allowances deducted to arrive at net patient services revenue.

Certain income from government agencies is recognized when expenses are incurred under approved contracts. These contracts are primarily budget based and revenue is determined by allowable expenditures in contract periods. Costs are subject to audit by third-party payors and changes, if any, are recognized in the year known.

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Grants

Grants and awards receivable are amounts reimbursable to CHC under terms of agreements with various governmental agencies. Grants are reported as “with donor restrictions” if they are received with purpose restrictions or time considerations as to their use. Accordingly, based on the terms of the grant agreements, certain grants are considered conditional contributions and should not be recognized as revenue until the conditions are met. Revenues from grants are recognized when costs are incurred, or services have been performed and conditions are met. Grants received in advance are recorded as deferred grant revenue, and revenue is deferred until the conditions are met.

Income Taxes

CHC was incorporated in the State of New York and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, CHC has been determined by the Internal Revenue Service (“IRS”) not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2023 and 2022. CHC is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2019.

Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Accordingly, such information should be read in conjunction with CHC’s financial statements for the year ended June 30, 2022 from which summarized information was derived.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on an individual basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time spent by employees and other allocated expenses.

Endowment Funds

The CHC’s endowment fund consists of investments that are with and without donor restrictions. Donor restricted endowments are classified as net assets with donor restrictions and board designated endowments are classified as net assets without donor restrictions. CHC follows the requirements of the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as they relate to its contributions with donor restrictions and net assets, effective upon New York State’s enactment of the legislation in September 2010. Previously, CHC followed the requirements of the Uniform Prudent Management of Institutional Funds Act of 1972 (“UPMIFA”).

This law made significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. This should provide some relief to organizations that, due to the recent economic downturn, have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impractical or wasteful.

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The following applies to the endowment fund:

Interpretation of Relevant Law

The Board of Directors of CHC have interpreted UPMIFA as requiring 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 the interpretation, CHC classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent fund, (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 investment income earned on the accumulations to the endowment funds with donor restrictions is classified based on donor stipulations as either without donor restrictions or with donor restrictions until the donor-imposed restrictions have been met.

Investment and Spending Policies

CHC has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that CHC must hold in perpetuity. Under this policy, as approved by the Finance Committee and Board of Directors of CHC, the endowment assets are invested in vehicles such as money market funds, fixed income securities, mutual funds, government, and equity securities, as well as certificates of deposit that are intended to produce moderate to high rates of return while assuming a moderate to low level of investment risk.

CHC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds;
- availability of other funding sources;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments;
- purposes of donor-restricted endowment fund; and
- the investment and spending policies of CHC's endowment investment returns distribution policy, which applies to CHC and allows for expenditures of investment return only at a rate generally not to exceed 6% of the net assets with donor restrictions balance on an annual basis.

Changes in endowment portfolio net assets for the year ended June 30, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - beginning of year	\$ 1,304,897	\$ 2,198,145	\$ 3,503,042
Investment income, net	11,240	215,106	226,346
Appropriated for expenditure	-	-	-
Balance, June 30, 2023	\$ 1,316,137	\$ 2,413,251	\$ 3,729,388

At times, certain donor restricted endowment funds may have fair values less than the amounts originally classified and invested as endowment. Invested funds can be impacted by market fluctuations and the judicious use of funds as identified by NYPMIFA.

Center for Hearing and Communication

As of June 30, 2023, the fair value of net assets with donor restriction invested as endowment was \$2,413,251 while the historical value of the same is \$3,272,185. The difference between the two, \$858,934, is classified as part of net assets with donor restrictions.

Liquidity and Availability

CHC's financial assets available within one year of the statement of financial position date for general and operational expenditures are as follows:

	2023
Financial assets:	
Cash and cash equivalents	\$ 434,383
Investments, at fair value	3,667,243
Accounts receivable less insurance adjustment and allowance for doubtful accounts	249,740
Contributions receivable, net	422,182
Grants receivable	230,094
Beneficial interest in trust	716,183
Financial assets available at year-end	5,719,825
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose or time restrictions	(4,222,681)
Total financial assets available to management for general expenditures within one year	\$ 1,497,144

CHC maintains a policy of structuring its financial assets to be available for its general expenditures, liabilities, and other obligations as they become due. The investments can easily be liquidated when such funds are needed. In the event of an unanticipated liquidity need, CHC could also draw upon the unused portion of its \$250,000 line of credit (see Note 7).

New Accounting Pronouncement

CHC adopted ASU 2016-02, Leases ("Topic 842") as of July 1, 2022, using the effective date transition method per ASU No. 2018-11, whereby entities are allowed to apply the new leases standard at the adoption date and to recognize the cumulative effect of initially applying Topic 842, if any, as an adjustment to net assets at July 1, 2022. Accordingly, all periods prior to July 1, 2022 were presented in accordance with the previous ASC Topic 840 ("Topic 840"), Leases, and no retrospective adjustments were made to the comparative periods presented. The adoption of Topic 842 did not have any impact on CHC's net assets. Finance leases were not impacted by the adoption of Topic 842, as finance lease liabilities and the corresponding ROU assets were already recorded in the statement of financial position under the previous guidance, Topic 840. The adoption of Topic 842 resulted in an increase of \$8,673,750 and \$9,061,035 to total assets and liabilities, respectively from the recording of operating lease right-of-use ("ROU") assets and operating lease liabilities. The adoption did not materially impact CHC's statements of activities or cash flows.

Upon adoption, CHC elected the package of transition practical expedients which allowed CHC to carry forward prior conclusions related to: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for existing leases. Additionally, CHC elected the practical expedient to not separate lease components from nonlease components for all leases within the portfolio. CHC made an accounting policy election to not record leases with a term of 12 months or less on the accompanying statement of financial position and recognizes related lease payments in the statement of functional expenses on a straight-line basis over the lease term. CHC determines if an arrangement is a lease at inception of a contract.

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Following the adoption of this standard, CHC determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether CHC controls the use of the identified asset throughout the period of use. CHC classifies leases as either financing or operating. CHC has operating leases for office space. Right-of-use ("ROU") assets are recognized at the lease commencement date and represent CHC's right to use an underlying asset for the lease term and lease liabilities represent CHC's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. The present value of lease payments are discounted based on CHC's incremental borrowing rate, when the interest rate implicit in CHC's leases is not readily determinable.

CHC's operating lease ROU assets are measured based on the corresponding operating lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with CHC's long-lived asset policy.

CHC does not allocate consideration between lease and non-lease components, such as maintenance costs, as CHC has elected to not separate lease and non-lease components for any leases within its existing classes of assets. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments for volume-based expenses are not included in the measurement of the ROU assets or lease liabilities and are expensed as incurred. While CHC determined not to separate lease and non-lease components, these payments are based on actual costs, making them variable consideration and excluding them from the calculations of the ROU Asset and lease liability.

3. Financial Instruments and Fair Value

CHC's holdings consist of money market funds, short-term, equity and fixed income securities carried at their fair value that is determined by quoted market prices. Each of the above investments can be liquidated daily. The valuation of the above is based on Level 1 inputs within the hierarchy used in measuring fair value.

Interests in fixed income securities are carried at the stated unit values provided by the investment manager of the funds. The investment manager provides observable detailed information about the underlying securities, all of which are publicly-traded securities (equities, treasuries and bonds). These investments can be liquidated upon maturity date. Given the fact that a small portion of these securities do not have quoted market prices and are auctioned on a quarterly basis, their valuation is based on Level 2 inputs within the hierarchy used in measuring fair value.

CHC's cost and fair value of investments as of June 30, are summarized as follows:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Mutual funds:				
International funds	\$ 1,211,987	\$ 1,193,656	\$ 1,170,185	\$ 1,221,649
Stock funds	944,608	388,911	895,550	421,781
Bond funds	1,322,009	1,510,107	1,406,165	1,548,246
Short-term funds	188,639	188,639	82,175	82,715
	<u>\$ 3,667,243</u>	<u>\$ 3,281,313</u>	<u>\$ 3,554,075</u>	<u>\$ 3,274,391</u>

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Below sets forth the table of assets measured at fair value as of June 30, 2023:

	Fair Value Measurement at Reporting Date Using			Balance as of June 30, 2023
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Mutual funds:				
International funds	\$ 1,211,987	\$ -	\$ -	\$ 1,211,987
Stock funds	944,608	-	-	944,608
Bond funds	1,322,009	-	-	1,322,009
Short-term funds	188,639	-	-	188,639
Beneficial interest in trust	-	-	716,183	716,183
	<u>\$ 3,667,243</u>	<u>\$ -</u>	<u>\$ 716,183</u>	<u>\$ 4,383,426</u>

Below sets forth the table of assets measured at fair value as of June 30, 2022:

	Fair Value Measurement at Reporting Date Using			Balance as of June 30, 2022
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Mutual funds:				
International funds	\$ 1,170,185	\$ -	\$ -	\$ 1,170,185
Stock funds	895,550	-	-	895,550
Bond funds	1,406,165	-	-	1,406,165
Short-term funds	82,175	-	-	82,175
Beneficial interest in trust	-	-	609,716	609,716
	<u>\$ 3,554,075</u>	<u>\$ -</u>	<u>\$ 609,716</u>	<u>\$ 4,163,791</u>

During the fiscal years ended June 30, 2023 and 2022, there were no changes to the classification of investments within the fair value hierarchy. There currently is no market in which beneficial interest in trusts trade; therefore, no observable exit price exists for a beneficial interest in trusts.

The following table summarizes the quantitative inputs and assumptions used for items categorized in Level 3 of the fair value hierarchy as of:

June 30, 2023	Financial Assets	Fair Value	Valuation	Unobservable Inputs	Ranges (Weighted
	Beneficial	\$ 716,183	Discounted	Actuarial life	6.42 years
				Discount rate	5.29%
June 30, 2022	Financial Assets	Fair Value	Valuation	Unobservable Inputs	Ranges (Weighted
	Beneficial	\$ 609,716	Discounted	Actuarial life	6.42 years

The following table represents the reconciliation of the beginning and ending balances of CHC's financial assets measured at fair value on a recurring basis using significant unobservable inputs during the year ended June 30:

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	2023	2022
	Beneficial Interest in Trusts	Beneficial Interest in Trusts
Beginning balance at July 1	\$ 609,716	\$ 708,267
Unrealized appreciation (depreciation)	106,467	(98,551)
Ending balance at June 30	<u>\$ 716,183</u>	<u>\$ 609,716</u>

Investment earnings are comprised of the following for the years ending June 30:

	2023	2022
Realized gains	\$ 48,842	\$ 125,832
Unrealized gain (loss)	105,768	(768,537)
Interest and dividends	101,736	90,001
Less: investment management fees	(30,000)	(26,125)
	<u>\$ 226,346</u>	<u>\$ (578,829)</u>

4. Beneficial Interest in Trusts

CHC was named as a beneficiary in a Charitable Remainder Unitrust (the "Trust"). CHC is not the trustee of the Trust nor is it able to exercise control over assets contributed to the Trust. Under the Trust agreement, life beneficiaries will receive 5% of the fair value of the Trust assets, which consist of publicly available securities, each year for the remainder of their lives. CHC will receive 25% of the remaining assets after the last beneficiary has expired (the "life tenant"). As of June 30, 2023 and 2022, the fair value of net assets held in the Trust amounted to \$3,358,278 and \$3,313,379, respectively.

The present value of the future cash flows is expected to be paid to the life tenants over their estimated lives. In each taxable year of the Trust, the trustee of the Trust shall pay to life tenants a Unitrust amount equal to 5% of the fair value of the assets of the Trust valued as of the first day of each taxable year of the Trust (the "valuation date"). Thus, as the fair value of the Trust fluctuates, so do the annuities payable to the life tenants. As of June 30, 2023 and 2022, the present value of future payments due to the life tenants amounted to \$2,864,728 and \$2,438,864, respectively.

Since CHC is not the trustee of the Trust nor is it able to exercise control over the assets, CHC has recorded the expected amount due from the Trusts as "Beneficial interest in trusts" on the statement of financial position which was \$716,183 and \$609,716 as of June 30, 2023 and 2022, respectively.

5. Contributions Receivable, Net

The net present value of contributions receivable was calculated using a discount rate equal to the risk-free interest rate, which is the U.S. Treasury note interest rate in effect at the time contributions are made and equal in duration to the length of time that the contribution is expected to be paid over.

The following represents future payments due as of June 30:

	2023	2022
Amounts due:		
Within one year	\$ 370,945	\$ 153,700
Within two to five years, net of present value discount of \$3,688 for 2023 and \$6,940 for 2022	<u>51,237</u>	<u>386,436</u>
Net present value of contributions receivable	<u>\$ 422,182</u>	<u>\$ 540,136</u>

For the years ended June 30, 2023 and 2022, the net present value blended discount rate was 3.00% for both years.

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6. Fixed Assets, Net

Fixed assets, net, stated at cost, consists of the following at June 30:

	2023	2022
Leasehold improvements	\$ 1,006,654	\$ 1,006,654
Scientific equipment	805,098	775,355
Furniture, fixture and equipment	317,299	313,349
Mobile units	486,302	187,340
Total fixed assets	2,615,353	2,282,698
Less: accumulated depreciation and amortization	(2,193,762)	(2,112,049)
Fixed assets, net	<u>\$ 421,591</u>	<u>\$ 170,649</u>

7. Line of Credit

In February 2021, CHC entered into a \$200,000 line of credit with a financial institution that was to expire in February 2023. In February 2023, the line of credit was renewed with an increased credit facility of \$250,000 and terminates on February 27, 2024. Interest payments on all unpaid principal are due on a monthly basis. Interest is charged at the bank's prime rate (8.25% at June 30, 2023) plus .25%. The line of credit is collateralized by all business assets of CHC. Outstanding borrowings under the line at June 30, 2023 and 2022 amounted to \$75,000 and \$-, respectively.

8. Loans Payable

On November 1, 2022, CHC entered into a loan agreement with a financial institution for a total amount of \$250,500. The loan requires monthly payments of \$4,912, which includes interest, based on an amortization of a 5-year loan at a fixed annual interest rate of 6.59%, until its maturity on November 1, 2027. The loan is collateralized by all business assets of CHC. As of June 30, 2023, the loan payable outstanding was \$225,335.

On July 9, 2019, CHC entered into a loan agreement with a financial institution for a total amount of \$42,633. The loan requires monthly payments of \$1,297, which includes interest, based on an amortization of a 3-year loan at a fixed annual interest rate of 5.99%, until its maturity on August 9, 2022. The loan is collateralized by all business assets of CHC. The loan was fully repaid as of its maturity date. For the years ended June 30, 2023 and 2022, the loan payable outstanding was \$- and \$790, respectively.

Principal repayments of the loan balance are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 45,576
2025	48,536
2026	51,833
2027	55,354
2028	24,036
	<u>\$ 225,335</u>

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9. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, are restricted for the following purposes or periods as follows:

	2023	2022
Donor restricted endowments subject to CHC's spending policy and appropriation:		
General Support	\$ 1,699,657	\$ 1,699,657
Various Program Purposes	1,572,528	1,572,528
Total donor restricted endowments subject to CHC's spending policy and appropriation	<u>3,272,185</u>	<u>3,272,185</u>
Subject to expenditure for specified purpose or time:		
Donor Imposed Time Restrictions	716,183	609,716
Audiology and BHTC Services	530,793	397,250
Children and Adult Communication Services	368,500	594,900
Center for Hearing and Aging	-	202,500
Investment Income	(858,934)	(1,074,040)
Communication Outreach	29,500	15,500
Teleintervention	124,454	207,500
IT Infrastructure	40,000	55,000
Total subject to expenditure for specified purpose or time	<u>950,496</u>	<u>1,008,326</u>
Total net assets with donor restrictions	<u>\$ 4,222,681</u>	<u>\$ 4,280,511</u>

The amounts of net assets with donor restrictions released from restrictions during the year ended June 30, are as follows:

	2023	2023
Center for Hearing and Aging	\$ 202,500	\$ 100,000
Children and Adult Communication Services	276,400	360,750
IT Infrastructure	15,000	30,000
Communication Outreach	57,500	48,750
Audiology and BHTC Services	432,377	250,700
Teleintervention	119,926	120,000
	<u>\$ 1,103,703</u>	<u>\$ 910,200</u>

10. Lease

CHC leases programming and office space in New York and Florida under non-cancelable operating leases, expiring in December 2034 and November 2029, respectively. CHC adopted ASC 842 on July 1, 2022, using the modified retrospective transition method. Accordingly, operating lease Right of Use Assets and lease liabilities were recognized at commencement date based on the present value of minimum lease payments over the remaining lease term. The minimum lease payments include base rent payments. As the implicit rate CHC's leases is unknown, CHC uses the practical expedient available to use the risk-free rate at the lease commencement date in determining the present value of future lease payments. Operating lease expenses are recognized on a straight-line basis over the lease term.

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Supplemental information as of June 30, 2023

Weighted average remaining lease term	11.13 years
Weighted average discount rate (risk-free rate)	3.10%

The maturities of lease liabilities as of June 30, 2023 are as follows:

2024	\$	795,845
2025		811,033
2026		854,594
2027		898,957
2028		916,067
Thereafter		<u>5,923,368</u>
Total lease payments		10,199,864
Less: interest		<u>(1,670,235)</u>
Total lease liability	\$	<u>8,529,629</u>

Occupancy expense for the years ended June 30, 2023 and 2022 was \$936,878 and \$828,902, respectively.

In lieu of a cash security deposit for the New York office, CHC had provided the premises' landlord with an irrevocable letter of credit in the sum of \$250,000 that is secured by a savings account and certificates of deposit, presented in the statement of financial position as "Assets limited to use".

Sales Commitment

On December 2020, CHC has entered into a 5 year sales agreement with Oticon. In return for meeting certain annual sales milestones defined by Oticon, CHC will receive a reduction in product costs. If annual sales milestones are not met, CHC will repay a pro-rated percentage of the discount advance and a fee of \$7,000 in lieu of interest and costs in connection with this agreement. The reduction to the cost of goods sold will be reported in congruence with the portion of the sales commitment met.

11. Retirement Plans

CHC sponsors two retirement plans: a 401(a) profit-sharing plan and a 403(b) plan. The 401(a) profit-sharing plan and 403(b) plan are available to all employees who have completed 1,000 hours of service in one year and have attained the age of 21. For the years ended June 30, 2023 and 2022, \$65,537 and \$- of employer contributions were made, respectively. The 403(b) plan is available for employee contributions only.

12. Subsequent Events

CHC has evaluated subsequent events through October 20, 2023, the date the financial statements were available for issuance.

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Broward County Supplemental Information

	Funding Source	Grant Number	Total Grant	Grant Receivable July 1, 2022	Grant Revenues	Grant Expenditures	Reimbursable Grant Expenditures	Cash Received	Grant Receivable June 30, 2023
Broward County	Behavioral Health Counseling Children	22-CP-CSA-7660-01	\$ 105,595	\$ -	\$ 46,741	\$ 46,741	\$ 46,741	\$ 43,886	\$ 2,855
	Behavioral Health Counseling Children	22-CP-CSA-7660-01	165,595	8,646	27,728	27,728	27,728	36,374	-
	Health Literacy	22-CP-HCS-7660-HL-01	90,600	7,305	107,583	107,583	107,583	105,633	9,255
	Mental Health Counseling Adult	20-CP-HCS-8231-01	225,773	-	168,948	168,948	168,948	151,733	17,215
	Mental Health Counseling Adult	20-CP-HCS-8231-01	145,773	39,791	31,299	31,299	31,299	71,090	-
				<u>\$ 55,742</u>	<u>\$ 382,299</u>	<u>\$ 382,299</u>	<u>\$ 382,299</u>	<u>\$ 408,716</u>	<u>\$ 29,325</u>

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