

Center for Hearing and Communication

Financial Statements

Year Ended June 30, 2021



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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

We have audited the accompanying financial statements of the Center for Hearing and Communication ("CHC"), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center for Hearing and Communication as of June 30, 2021 and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center for Hearing and Communication's 2020 financial statements, and our report dated September 21, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 purposes 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

September 27, 2021

Center for Hearing and Communication

Statements of Financial Position June 30, 2021 (with comparative totals for 2020)

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 893,466	\$ 540,602
Accounts receivable less insurance adjustment and allowance for doubtful accounts of \$100,414 for 2021 and \$50,709 for 2020	251,385	117,716
Contributions receivable, net current portion	577,126	746,996
Investments at fair value	1,329,873	1,150,000
Grants receivable	231,878	251,461
Listening device inventory	13,054	44,558
Prepaid expenses and other assets	380	380
Total current assets	3,297,162	2,851,713
Assets limited to use	265,742	263,148
Investments at fair value	2,751,998	2,291,266
Contributions receivable net, less current portion	137,020	309,581
Beneficial interest in trusts	708,267	608,184
Fixed assets, net	206,784	276,974
Total assets	<u>\$ 7,366,973</u>	<u>\$ 6,600,866</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 223,338	\$ 283,235
Accrued vacation payable	267,361	258,800
Deferred grant revenue	-	417,442
Deferred revenue	114,888	-
Line of credit	-	100,000
Loans payable, current portion	68,568	66,483
Total current liabilities	674,155	1,125,960
Deferred rent	342,649	310,374
Loans payable, non-current portion	1,290	65,398
Total liabilities	<u>1,018,094</u>	<u>1,501,732</u>
Net assets (deficit)		
Without donor restrictions	701,945	(77,236)
With donor restrictions	5,646,934	5,176,370
Total net assets	<u>6,348,879</u>	<u>5,099,134</u>
Total liabilities and net assets	<u>\$ 7,366,973</u>	<u>\$ 6,600,866</u>

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

Center for Hearing and Communication

Statements of Activities

Year Ended June 30, 2021 (with comparative totals for 2020)

			Total	
	Without Donor Restriction	With Donor Restriction	2021	2020
Revenue				
Fee for service				
Patient service revenue, net	\$ 1,169,878	\$ -	\$ 1,169,878	\$ 870,494
Hearing aid sales, net of cost of goods sold of \$511,626 for 2021 and \$498,868 for 2020	523,333	-	523,333	507,290
Total fee for service	1,693,211	-	1,693,211	1,377,784
Public support				
Government grants and contracts	1,657,790	-	1,657,790	825,298
Broward county grants and contracts	895,290	-	895,290	1,119,782
Foundation and corporate grants	564,764	682,082	1,246,846	1,319,648
Contributions - operational support	430,282	12,500	442,782	178,111
Special event income, net of direct costs of \$113,148 for 2021 and \$147,570 for 2020	714,724	-	714,724	985,055
Total public support	4,262,850	694,582	4,957,432	4,427,894
Net assets released from restrictions	684,750	(684,750)	-	-
Investment income and other revenues				
Interest and dividend income	16,074	39,912	55,986	87,077
Net realized and unrealized gain on investments	165,063	420,820	585,883	65,934
Other income	155	-	155	1,477
Total investment income and other revenues	181,292	460,732	642,024	154,488
Total revenue	6,822,103	470,564	7,292,667	5,960,166
Expenses				
Program services	4,875,974	-	4,875,974	5,033,923
Management and general	535,745	-	535,745	490,565
Fundraising	631,203	-	631,203	599,497
Total expenses	6,042,922	-	6,042,922	6,123,985
Change in net assets	779,181	470,564	1,249,745	(163,819)
Net (deficit) assets, beginning of year	(77,236)	5,176,370	5,099,134	5,262,953
Net assets, end of year	\$ 701,945	\$ 5,646,934	\$ 6,348,879	\$ 5,099,134

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

Center for Hearing and Communication

Statements of Functional Expenses

Year Ended June 30, 2021 (with comparative totals for 2020)

	Program Services			Supporting Services			Total	
	New York	Florida	Total Program Services	Management and General	Fundraising	Total Supporting Services	2021	2020
Salaries and related expenses:								
Salaries	\$ 2,050,336	\$ 893,981	\$ 2,944,317	\$ 295,425	\$ 387,034	\$ 682,459	\$ 3,626,776	\$ 3,731,653
Employee benefits and taxes	513,163	220,878	734,041	45,808	100,562	146,370	880,411	912,224
Total salaries and related expenses	2,563,499	1,114,859	3,678,358	341,233	487,596	828,829	4,507,187	4,643,877
Other expenses:								
Occupancy	494,394	90,687	585,081	60,380	48,361	108,741	693,822	658,332
Professional fees and contracted services	174,498	35,829	210,327	79,113	17,458	96,571	306,898	303,261
Program transportation	-	9,480	9,480	-	-	-	9,480	53,812
Program meals and participants incidentals	-	44,659	44,659	-	-	-	44,659	79,120
Supplies	20,575	2,811	23,386	10,361	4,504	14,865	38,251	36,496
Printing and postage	9,819	571	10,390	528	667	1,195	11,585	13,825
Insurance	61,612	-	61,612	7,799	8,579	16,378	77,990	61,053
Repairs and maintenance	3,595	-	3,595	3,818	13,753	17,571	21,166	20,479
Telephone	19,705	6,416	26,121	3,277	2,840	6,117	32,238	28,197
Mobile testing unit	6,480	-	6,480	-	-	-	6,480	11,037
Equipment lease expense	23,607	7,816	31,423	2,149	2,364	4,513	35,936	53,261
Miscellaneous expenses	5,530	2,550	8,080	3,018	511	3,529	11,609	21,146
Conference and training	860	237	1,097	-	-	-	1,097	10,973
Dues and subscriptions	8,259	1,311	9,570	4,866	10,771	15,637	25,207	22,142
Advertising	1,500	263	1,763	-	1,200	1,200	2,963	6,305
Credit card fees and bank charges	37,977	863	38,840	-	6,408	6,408	45,248	50,293
Interest	-	-	-	14,366	-	14,366	14,366	20,019
Bad debts	48,045	1,153	49,198	-	23,870	23,870	73,068	(58,078)
Total expenses before depreciation	3,479,955	1,319,505	4,799,460	530,908	628,882	1,159,790	5,959,250	6,035,550
Depreciation	67,984	8,530	76,514	4,837	2,321	7,158	83,672	88,435
Total expenses	\$ 3,547,939	\$ 1,328,035	\$ 4,875,974	\$ 535,745	\$ 631,203	\$ 1,166,948	\$ 6,042,922	\$ 6,123,985

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

Center for Hearing and Communication

Statements of Cash Flows

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021	2020
Cash flows from operating activities		
Changes in net assets	\$ 1,249,745	\$ (163,819)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	83,672	88,435
Donated securities	-	(35,835)
Unrealized gain on investments	(560,337)	(16,719)
Realized gains on investments	(12,057)	(39,669)
Beneficial interest in trusts	(100,083)	112,483
Increase (decrease) in present value for contribution receivable	(19,190)	28,885
(Increase) decrease in:		
Accounts receivable	(133,669)	70,827
Contributions receivable	361,621	(320,922)
Grants receivable	19,583	166,750
Listening device inventory	31,504	16,431
Increase (decrease) in:		
Accounts payable and accrued expenses	(59,897)	(175,002)
Accrued vacation payable	8,561	62,632
Deferred grant revenue	(417,442)	417,442
Deferred revenue	114,888	-
Deferred rent	32,275	(41,467)
Net cash provided by operating activities	599,174	170,452
Cash flows from investing activities		
Assets limited to use	(2,594)	(6,005)
Purchase of investments	(94,611)	(92,445)
Proceeds from sale of investments	26,400	381,781
Purchase of fixed assets	(13,482)	(47,707)
Net cash (used in) provided by investing activities	(84,287)	235,624
Cash flows from financing activities		
Principal payments of line of credit	(100,000)	(360,000)
Proceeds from line of credit	-	377,133
Principal payments of loan payable	(62,023)	(54,062)
Net cash used in financing activities	(162,023)	(36,929)
Net increase in cash and cash equivalents	352,864	369,147
Cash and cash equivalents, beginning of year	540,602	171,455
Cash and cash equivalents, end of year	\$ 893,466	\$ 540,602
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 14,023	\$ 18,784

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

Center for Hearing and Communication

Notes to Financial Statements

Year Ended June 30, 2021 (with comparative totals for 2020)

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, 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 provides 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, 2021 and 2020, there were \$1,329,873 and \$1,150,000 net assets with board restrictions.

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.

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, 2021, 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, 2021 was approximately \$912,000. Management believes that credit risk related to these accounts is minimal based on the historical credit worthiness of this financial institution.

Center for Hearing and Communication

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 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 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 had occurred.

Center for Hearing and Communication

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, 2021 and 2020, 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 has adopted Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), as amended as management believes the standard improves the usefulness and understandability of CHC's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way CHC recognizes revenue, and therefore no changes to previously issued financial statements were required on retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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, 2021 and 2020. CHC is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2018.

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, 2020 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, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - beginning of year	\$ 1,150,000	\$ 2,291,266	\$ 3,441,266
Investment income, net	179,873	460,732	640,605
Appropriated for expenditure	-	-	-
Balance, June 30, 2021	\$ 1,329,873	\$ 2,751,998	\$ 4,081,871

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, 2021, the fair value of net assets with donor restriction invested as endowment was \$2,749,845 while the historical value of the same is \$3,272,185. The difference between the two, \$522,340, 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:

Financial assets:

Cash and cash equivalents	\$ 894,691
Investments, at fair value	4,081,871
Accounts receivable less insurance adjustment and allowance for doubtful accounts	211,832
Contributions receivable, net	714,146
Grants receivable	231,878
Beneficial interest in trust	708,267

Financial assets available at year-end	6,842,685
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Less:

Amounts unavailable for general expenditures within
one year due to:

Restricted by donors with purpose or time restrictions	(5,644,780)
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Total financial assets available to management for
general expenditures within one year

\$ 1,197,905

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 \$200,000 line of credit (see Note 7).

3. Financial Instruments and Fair Value

CHC's holdings consist of money market funds, short-term, equity and fixed income securities carried at their aggregate market 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.

Center for Hearing and Communication

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

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Mutual funds:				
International funds	\$ 1,397,321	\$ 1,162,036	\$ 1,078,060	\$ 1,096,794
Stock funds	1,186,361	463,945	821,925	449,262
Bond funds	1,416,176	1,360,982	1,213,216	1,128,139
Short-term funds	82,013	81,715	132,881	132,583
Corporate bond	-	-	195,184	200,349
	<u>\$ 4,081,871</u>	<u>\$ 3,068,678</u>	<u>\$ 3,441,266</u>	<u>\$ 3,007,127</u>

Below sets forth the table of assets measured at fair value as of June 30, 2021:

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of June 30, 2021
Mutual funds:				
International funds	\$ 1,397,321	\$ -	\$ -	\$ 1,397,321
Stock funds	1,186,361	-	-	1,186,361
Bond funds	1,416,176	-	-	1,416,176
Short-term funds	82,013	-	-	82,013
Beneficial interest in a trust	-	-	708,267	708,267
	<u>\$ 4,081,871</u>	<u>\$ -</u>	<u>\$ 708,267</u>	<u>\$ 4,790,138</u>

Below sets forth the table of assets measured at fair value as of June 30, 2020:

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of June 30, 2020
Mutual funds:				
International funds	\$ 1,078,060	\$ -	\$ -	\$ 1,078,060
Stock funds	821,925	-	-	821,925
Bond funds	1,213,216	-	-	1,213,216
Short-term funds	132,881	-	-	132,881
Corporate bond	-	195,184	-	195,184
Beneficial interest in a trust	-	-	608,184	608,184
	<u>\$ 3,246,082</u>	<u>\$ 195,184</u>	<u>\$ 608,184</u>	<u>\$ 4,049,450</u>

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During the fiscal years ended June 30, 2021 and 2020, 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, 2021	Financial Assets	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges (Weighted Average)
	Beneficial Interest in Trust	\$ 708,267	Actuarial life expectancy of beneficiaries	N/A	N/A
June 30, 2020	Financial Assets	Fair Value	Valuation Techniques	Unobservable Inputs	Ranges (Weighted Average)
	Beneficial Interest in Trust	\$ 608,184	Actuarial life expectancy of beneficiaries	N/A	N/A

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:

	2021 Beneficial Interest in Trusts	2020 Beneficial Interest in Trusts
Beginning balance at July 1	\$ 608,184	\$ 720,667
Unrealized appreciation (depreciation)	100,083	(112,483)
Ending balance at June 30	<u>\$ 708,267</u>	<u>\$ 608,184</u>

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

	2021	2020
Realized gains on investments	\$ 12,057	\$ 39,669
Unrealized gains on investments	573,826	26,265
Interest and dividends on investments	69,475	9,623
Less: investment management fees	(13,489)	(9,546)
	<u>\$ 641,869</u>	<u>\$ 66,011</u>

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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, 2021 and 2020, the fair value of net assets held in the Trust amounted to \$4,105,719 and \$3,381,957, 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, 2021 and 2020, the present value of future payments due to the life tenants amounted to \$708,266 and \$608,184, 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 \$708,267 and \$608,184 as of June 30, 2021 and 2020, 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:

	2021	2020
Amounts due:		
Within one year	\$ 577,126	\$ 746,996
Within two to five years, net of present value discount of \$12,980 for 2021 and \$32,170 for 2020	137,020	309,581
Net present value of contributions receivable	<u>\$ 714,146</u>	<u>\$ 1,056,577</u>

For the years ended June 30, 2021 and 2020, the net present value blended discount rate was 3.00% for both years.

6. Fixed Assets, Net

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

	2021	2020
Leasehold improvements	\$ 1,006,654	\$ 1,006,654
Scientific equipment	758,820	745,338
Furniture, fixture and equipment	276,236	276,236
Mobile units	187,340	187,340
Total fixed assets	2,229,050	2,215,568
Less: accumulated depreciation and amortization	(2,022,266)	(1,938,594)
Fixed assets, net	<u>\$ 206,784</u>	<u>\$ 276,974</u>

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7. Line of Credit

In April 2019, CHC entered into a \$185,000 line of credit with a financial institution that was to expire in March 2020. In February 2021, the line of credit was renewed with a maximum credit facility of \$200,000. The line of credit terminates on March 1, 2022. Interest payments on all unpaid principal are due on a monthly basis. Interest is charged at the bank's prime rate (3.75% at June 30, 2021) plus .25%. The line of credit is collateralized by all business assets of CHC. The outstanding borrowings under the line at June 30, 2021 and 2020 totaled \$ - and \$100,000, respectively.

8. Loans Payable

On April 1, 2017, CHC entered into a loan agreement with a financial institution for a total amount of \$250,000. The loan requires monthly payments of \$4,661, which includes interest, based on an amortization of a 5-year loan at a fixed annual interest rate of 4.50%, until its maturity on March 1, 2022. The loan is collateralized by all business assets of CHC. On April 3, 2020 CHC, was granted a three-month forbearance on loan payments with unpaid interest continuing to accrue at a fixed annual rate of 4.50%. For the years ended June 30, 2021 and 2020, the loan payable outstanding was \$54,074 and \$101,974, respectively.

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. For the years ended June 30, 2021 and 2020, the loan payable outstanding was \$15,784 and \$30,907, respectively.

Principal repayments of loan payment are as following:

Year Ending June 30,	
2022	\$ 68,568
2023	1,290
	<u>\$ 69,858</u>

9. Deferred Grant Revenue

Paycheck Protection Program

On May 7, 2020, CHC entered into a loan agreement with Blue Ridge Bank for a loan of \$835,508 pursuant to the Payroll Protection Program ("PPP") under the CARES Act. This loan is evidenced by a promissory note dated May 7, 2020 and matures two years from the disbursement date. This loan bears interest at a rate of 1.00% per annum, with the first six months of interest deferred. Principal and interest are payable monthly commencing one year after the disbursement date and may be prepaid by the CHC at any time prior to maturity with no prepayment penalties. This loan contains customary events of default relating to, among other things, payment defaults or breaches of the terms of the loan. Upon the occurrence of an event of default, the lender may require immediate repayment of all amounts outstanding under the note. On August 11, 2020, CHC was notified that the Small Business Administration approved their application for loan forgiveness.

On January 24, 2021, CHC entered into second a loan agreement with Blue Ridge Bank for a loan of \$835,508 pursuant to the Payroll Protection Program ("PPP") under the CARES Act with the same loan terms.

Under the terms of the PPP, up to the entire amount of principal and accrued interest may be forgiven to the extent loan proceeds are used for qualifying expenses as described in the CARES Act and applicable implementing guidance issued by the U.S. Small Business Administration under the PPP. CHC has utilized the entire loan amount for designated qualifying expenses and to will apply for forgiveness in accordance with the terms of the PPP. Qualifying expenses include payroll and certain benefits, occupancy and utility costs.

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CHC has accounted for the loan proceeds in accordance with ASC 958-605 and considered the loan a conditional contribution which will be forgiven once certain requirements are met. Based on qualifying expenses incurred as of June 30, 2021, the amount eligible for forgiveness amounted to \$1,252,950, and is included in government grants and contracts. As of June 30, 2021, CHC has utilized all amounts from the paycheck protection program loans on qualifying expenses.

10. Net Assets With Donor Restrictions

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

	2021	2020
Donor restricted endowments subject to CHC's spending policy and appropriation:		
General Support	\$ 2,158,236	\$ 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>3,730,764</u>	<u>3,272,185</u>
Subject to expenditure for specified purpose or time:		
Donor Imposed Time Restrictions	708,266	608,185
Audiology and BHTC Services	309,500	297,250
Children and Adult Communication Services	369,500	517,000
Center for Hearing and Aging	100,000	-
Communication Outreach	51,750	81,750
Teleintervention	300,000	400,000
IT Infrastructure	75,000	-
Total subject to expenditure for specified purpose or time	<u>1,914,016</u>	<u>1,904,185</u>
Total net assets with donor restrictions	<u>\$ 5,644,780</u>	<u>\$ 5,176,370</u>

On April 19, 2020, CHC requested a release from restriction for amounts donated subject to the restriction that the donation be held as an endowment. The restriction was released by the donor and is included in the schedule below. The amounts of net assets with donor restrictions released from restrictions during the year ended June 30, are as follows:

	2021	2020
Endowment	\$ -	\$ 1,150,000
Center for Hearing and Aging	100,000	100,000
Children and Adult Communication Services	244,500	217,384
Investment Income	-	266,047
IT Infrastructure	35,000	10,000
Communication Outreach	67,500	104,125
Audiology and BHTC Services	130,250	250,875
Teleintervention	107,500	107,500
	<u>\$ 684,750</u>	<u>\$ 2,205,931</u>

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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, 2021 and 2020, no employer contributions were made. The 403(b) plan is available for employee contributions only.

12. Commitments

Lease Commitments

Pursuant to several lease agreements, CHC is obligated for minimum annual rentals payable to nonrelated parties, as indicated below. CHC is also obligated for certain operating costs at these sites. The future minimum commitments to all nonrelated parties are:

<u>Year Ending June 30,</u>	
2022	\$ 773,112
2023	784,963
2024	804,764
2025	825,196
2026	866,394
Thereafter	<u>7,960,603</u>
	<u>\$ 12,015,032</u>

Rent expense for the years ended June 30, 2021 and 2020 was \$615,663 and \$524,991, 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 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.

13. Subsequent Events

CHC has evaluated subsequent events through September 27, 2021, 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, 2020	Grant Revenues	Grant Expenditures	Reimbursable Grant Expenditures	Cash Received	Grant Receivable June 30, 2021
Broward County	Behavioral Health Counseling Children	19-CP-CSA-8234-01	\$ 148,765	\$ 11,646	\$ 35,255	\$ 35,255	\$ 35,255	\$ 46,901	\$ -
	Behavioral Health Counseling Children	19-CP-CSA-8234-01	148,765	-	97,201	97,201	97,201	84,488	12,713
	Mental Health Counseling Adult	20-CP-HCS-8234-01	125,773	23,260	29,149	29,149	29,149	52,409	-
	Mental Health Counseling Adult	20-CP-HCS-8234-01	125,773	-	102,289	102,289	102,289	82,414	19,875
				<u>\$ 34,906</u>	<u>\$ 263,894</u>	<u>\$ 263,894</u>	<u>\$ 263,894</u>	<u>\$ 266,212</u>	<u>\$ 32,588</u>

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