Center for Hearing and Communication

Financial Statements
Year Ended June 30, 2013

Center for Hearing and Communication

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Center for Hearing and Communication

Contents

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Independent Auditor's Report

Board of Directors of
Center for Hearing and Communication
New York, New York

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, 2013 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.

Auditor's 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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 14, CHC has restated its net assets to properly record its rent expense as described in the note.

Report on Summarized Comparative Information

We have previously audited CHC's 2012 financial statements and our report, dated September 21, 2012, 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, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

September 18, 2013

Center for Hearing and Communication

Statement of Financial Position
(with comparative totals for 2012)

June 30,	**2013**	2012 (Restated)
Assets		
Current:		
Cash and cash equivalents	**$ 203,722**	$ 123,371
Accounts receivable, less allowance for doubtful accounts of $166,466 and $119,854, respectively	**160,873**	359,543
Contributions receivable, net, current portion (Note 5)	**583,700**	584,647
Grants receivable	**231,629**	215,659
Listening device inventory	**78,153**	61,400
Prepaid expenses and other assets	**10,772**	49,696
Total Current Assets	**1,268,849**	1,394,316
Assets Limited to Use (Note 12)	**280,000**	189,954
Investments, at Fair Value (Note 3)	**3,335,936**	3,232,818
Contributions Receivable, Net, Less Current Portion (Note 5)	**170,240**	400,944
Beneficial Interest in Trust (Notes 3 and 4)	**569,206**	514,350
Fixed Assets, Net (Note 6)	**494,307**	586,634
Total Assets	**$6,118,538**	$6,319,016
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 548,966**	$ 637,661
Accrued vacation payable	**167,228**	157,429
Line of credit (Note 7)	**250,000**	100,000
Loan payable, current portion (Note 8)	**71,097**	67,791
Deferred revenue, current portion	**1,594**	1,594
Total Current Liabilities	**1,038,885**	964,475
Loan Payable, Net of Current Portion (Note 8)	**126,129**	197,047
Deferred Rent	**160,080**	54,597
Deferred Revenue, Net of Current Portion	**89,874**	109,769
Total Liabilities	**1,414,968**	1,325,888
Commitments and Contingencies (Notes 9, 10, 11 and 12)		
Net Assets (Deficit) (Notes 2, 9 and 10):		
Unrestricted	**(591,478)**	(222,552)
Temporarily restricted	**872,603**	800,518
Permanently restricted	**4,422,445**	4,415,162
Total Net Assets	**4,703,570**	4,993,128
Total Liabilities and Net Assets	**$6,118,538**	$6,319,016

See accompanying notes to financial statements.

Center for Hearing and Communication

Statement of Activities
(with comparative totals for 2012)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012 (Restated)
Revenues:					
Fee for service:					
Patient service revenue - net	$1,264,490	$ -	$ -	**$1,264,490**	$1,247,691
Hearing aid sales – net of cost of goods sold of $723,022 and $816,579	597,459	-	-	**597,459**	744,386
Total Fee for Service	1,861,949	-	-	**1,861,949**	1,992,077
Public support:					
Government grants and contracts	404,940	-	-	**404,940**	404,940
Broward county grants and contracts	922,436	-	-	**922,436**	839,903
Foundation and corporate grants	583,506	82,000	-	**665,506**	1,195,693
Contributions – operational support	389,574	110,391	7,283	**507,248**	914,499
Special events income, net of direct donor benefit of $174,941 and $177,530	522,256	3,500	-	**525,756**	406,601
Total Public Support	2,822,712	195,891	7,283	**3,025,886**	3,761,636
Net assets released from restrictions (Note 9)	346,255	(346,255)	-	**-**	-
Investment income and other revenues:					
Interest income	988	75,161	-	**76,149**	82,163
Net realized and unrealized gain (loss) on investments	-	147,288	-	**147,288**	(13,633)
Other income	36,354	-	-	**36,354**	3,170
Total Investment Income and Other Revenues	37,342	222,449	-	**259,791**	71,700
Total Revenues	5,068,258	72,085	7,283	**5,147,626**	5,825,413
Expenses:					
Program services	4,179,263	-	-	**4,179,263**	4,239,570
Management and general	738,229	-	-	**738,229**	880,819
Fundraising	519,692	-	-	**519,692**	522,486
Total Expenses	5,437,184	-	-	**5,437,184**	5,642,875
Change in Net Assets	(368,926)	72,085	7,283	**(289,558)**	182,538
Net Assets, Beginning of Year	(222,552)	800,518	4,415,162	**4,993,128**	4,810,590
Net Assets, End of Year	**$ (591,478)**	**$ 872,603**	**$4,422,445**	**$4,703,570**	$4,993,128

See accompanying notes to financial statements.

Center for Hearing and Communication

Statement of Functional Expenses
(with comparative totals for 2012)

Year ended June 30,

	Program Services			Supporting Services			Total	
	New York	Florida	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2013**	2012 (Restated)
Salaries and Related Expenses:								
Salaries	$1,651,226	$ 820,986	$2,472,212	$370,200	$328,702	$ 698,902	**$3,171,114**	$3,224,791
Employee benefits and taxes	310,027	158,146	468,173	69,925	79,153	149,078	**617,251**	596,352
Total Salaries and Related Expenses	1,961,253	979,132	2,940,385	440,125	407,855	847,980	**3,788,365**	3,821,143
Other Expenses:								
Occupancy	532,629	79,858	612,487	68,415	60,756	129,171	**741,658**	812,188
Professional fees and contracted services	113,510	20,808	134,318	62,844	12,445	75,289	**209,607**	252,565
Program transportation	48,845	106,891	155,736	-	-	-	**155,736**	210,903
Program meals and participant incidentals	-	55,969	55,969	-	-	-	**55,969**	40,048
Supplies	19,615	4,978	24,593	9,414	2,416	11,830	**36,423**	34,515
Printing and postage	14,886	1,783	16,669	2,308	9,901	12,209	**28,878**	31,002
Insurance	32,740	6,255	38,995	4,298	5,036	9,334	**48,329**	43,663
Repairs and maintenance	14,133	731	14,864	1,582	6,621	8,203	**23,067**	15,327
Telephone	10,475	5,491	15,966	2,433	1,736	4,169	**20,135**	24,785
Mobile testing unit	8,897	3,729	12,626	-	-	-	**12,626**	25,064
Equipment lease expense	18,940	6,775	25,715	1,521	2,174	3,695	**29,410**	31,892
Miscellaneous	1,055	3,345	4,400	236	329	565	**4,965**	5,706
Conferences and training	8,714	1,267	9,981	1,491	1,710	3,201	**13,182**	20,788
Dues and subscriptions	4,553	3,336	7,889	5,845	995	6,840	**14,729**	3,918
Advertising	4,795	695	5,490	-	3,020	3,020	**8,510**	10,856
Credit card fees and bank charges	-	7,527	7,527	52,295	-	52,295	**59,822**	60,427
Interest	-	-	-	22,402	-	22,402	**22,402**	22,016
Bad debt	-	-	-	57,802	-	57,802	**57,802**	53,227
Moving expenses	-	-	-	-	-	-	**-**	7,820
Total Expenses Before Depreciation and Amortization	2,795,040	1,288,570	4,083,610	733,011	514,994	1,248,005	**5,331,615**	5,527,853
Depreciation and Amortization	94,551	1,102	95,653	5,218	4,698	9,916	**105,569**	115,022
Total Expenses	**$2,889,591**	**$1,289,672**	**$4,179,263**	**$738,229**	**$519,692**	**$1,257,921**	**$5,437,184**	$5,642,875

See accompanying notes to financial statements.

Center for Hearing and Communication

Statement of Cash Flows
(with comparative totals for 2012)

Year ended June 30,	**2013**	2012 (Restated)
Cash Flows From Operating Activities:		
Change in net assets	**$(289,558)**	$ 182,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**105,569**	115,022
Provision for bad debts, net	**57,802**	53,227
Unrealized (gains) losses on investments	**(134,167)**	21,490
Realized gains on investments	**(13,121)**	(7,857)
Beneficial interest in a trust	**(54,856)**	(133,283)
Change in present value of contribution receivable	**8,988**	(14,553)
(Increase) decrease in:		
Accounts receivable	**140,868**	(193,148)
Contributions receivable	**222,663**	565,149
Grants receivable	**(15,970)**	1,034
Listening device inventory	**(16,753)**	(7,104)
Prepaid expenses and other assets	**38,924**	(8,828)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(88,695)**	124,197
Accrued vacation payable	**9,799**	(18,157)
Deferred rent	**105,483**	54,597
Deferred revenue	**(19,895)**	109,252
Net Cash Provided By Operating Activities	**57,081**	843,576
Cash Flows From Investing Activities:		
Assets limited to use	**(90,046)**	(43,103)
Purchase of investments	**(786,104)**	(795,250)
Proceeds from sale of investments	**830,274**	33,044
Purchase of fixed assets	**(13,242)**	(26,024)
Net Cash Used In Investing Activities	**(59,118)**	(831,333)
Cash Flows From Financing Activities:		
Repayment of line of credit	**150,000**	(150,000)
Principal payments of loan payable	**(67,612)**	(64,390)
Net Cash Provided By (Used In) Financing Activities	**82,388**	(214,390)
Net Increase (Decrease) in Cash and Cash Equivalents	**80,351**	(202,147)
Cash and Cash Equivalents, Beginning of Year	**123,371**	325,518
Cash and Cash Equivalents, End of Year	**$ 203,722**	$ 123,371
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 20,231**	$ 22,016

See accompanying notes to financial statements.

1. Description of Organization

The Center for Hearing and Communication ("CHC") provides a wide range of hearing health care services and emotional wellness treatment to people of all ages who have a hearing loss and/or listening challenges, regardless of ability to pay. With offices in New York City and Florida, CHC meets hearing, communication and mental health needs through professional services that offer the highest level of clinical expertise and use of state-of-the-art technology. CHC provides many services including hearing screenings, complete hearing evaluations, hearing aid fittings and sales, auditory-oral training for children who are deaf and hard of hearing, auditory training and speech reading therapy for adults, tinnitus retraining therapy, emotional health and wellness, and the evaluation and treatment of auditory processing disorders.

In the current fiscal year, CHC, along with many other organizations, was negatively impacted by Hurricane Sandy (October 2012). Its New York City location in the downtown area was closed for one week and, while open the following week, had no heat nor telephone communication and essentially no client traffic. The result was a loss of income for these two weeks estimated at $65,000. The impact of the storm continued to be felt over the following few months as clients who were affected financially were not able to maintain hearing aids and CHC also provided some hearing care services at no cost to individuals who lost equipment due to the storm.

2. Summary of Significant Accounting Policies

(a) General

The financial statements have been prepared on an accrual basis. 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.

(b) Financial Statement Presentation

The classification of CHC's net assets is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

The classes of net assets are defined as follows:

(i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by CHC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CHC.

(ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by CHC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CHC pursuant to those stipulations.

(iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

(c) 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.

(d) 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.

(e) 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 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.

(f) Allowances 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. When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged against the allowance. Subsequent recoveries of amounts previously written off are credited directly to revenues.

(g) *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.

(h) *Listening Device Inventory*

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

(i) *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:

	Years
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.

(j) *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 that the carrying amount of that asset. For the year ended June 30, 2013, there have been no such losses.

(k) *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.

(l) *Patient Service Revenue, including Third-party Reimbursement*

CHC has a broad base of clients with various types of medical coverage. In August 2012, CHC began processing its own patient service claims of Medicare, Medicaid and commercial insurance carriers. CHC continues to process transactions paid by third-party reimbursement agencies, including the New York State Department of Education.

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.

(m) 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 year ended June 30, 2013. The tax years ending 2010, 2011 and 2012 are still open to audit for both Federal and state purposes.

(n) Accounting for Uncertainty in Income Taxes

Under ASC 740, "Income Taxes", an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. CHC does not believe there are any material uncertain tax positions and, accordingly, they have not recognized any liability for unrecognized tax benefits. CHC has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions where it is required. For the year ended June 30, 2013, there was no interest or penalties recorded or included in the statement of activities.

(o) Comparative Financial 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. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CHC's financial statements for the year ended June 30, 2012 from which summarized information was derived.

(p) 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.

(q) Endowment Funds

The CHC's endowment fund consists of investments that are permanently restricted. CHC follows the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as they relate to its permanently restricted contributions 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.

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 permanently restricted net assets (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 permanently restricted endowment funds is classified based on donor stipulations as either unrestricted or temporarily restricted net assets 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 not to exceed 6% of the permanently restricted net asset balance on an annual basis.

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.

CHC's cost and fair value of investments for June 30, 2013 are summarized as follows:

June 30, 2013	Fair Value	Cost
Mutual funds:		
International funds	$ 373,417	$ 391,957
Stock funds	991,892	808,572
Bond funds	1,463,327	1,496,633
Short-term funds	314,800	318,499
Corporate bond	192,500	200,349
	$3,335,936	$3,216,010

Below sets forth the table of assets measured at fair value as of June 30, 2013:

June 30, 2013	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, 2013
Mutual funds:				
International funds	$ 373,417	$ -	$ -	$ 373,417
Stock funds	991,892	-	-	991,892
Bond funds	1,463,327	-	-	1,463,327
Short-term funds	314,800	-	-	314,800
Corporate bond	-	192,500	-	192,500
Beneficial interest in a trust	-	-	569,206	569,206
	$3,143,436	$192,500	$569,206	$3,905,142

During the fiscal year ended June 30, 2013, there were no changes to the classification of investments within the fair value hierarchy. At June 30, 2013, CHC's financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) represent the fair value of CHC's beneficial interest in a trust of $569,206. There currently is no market in which beneficial interest in trusts trade; therefore, no observable exit price exists for a beneficial interest in a trust.

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, 2013:

June 30, 2013

	Beneficial Interest in a Trust
Beginning balance at July 1, 2012	$514,350
Unrealized appreciation	54,856
Ending Balance at June 30, 2013	$569,206

As of June 30, 2013, CHC accounted for all securities which were in an unrealized loss position as temporarily impaired. Such conclusion was based on the ability and intent of CHC to retain the investment for sufficient time to allow an anticipated recovery in value and the absence of specific adverse events related to the issuer of the security.

Investment earnings are comprised of the following:

June 30, 2013	
Realized gains on investments	$ 13,121
Unrealized gain on investments	134,167
Interest and dividends on investments	76,149
	$223,437

The fair market value of the investments detailed above is determined by reference to market quotations at June 30, 2013. In addition to the above investments, the investment portfolio included $211,898 of cash equivalents at June 30, 2013 which are included as assets limited to use in the statement of financial position as discussed further in Note 12.

4. Beneficial Interest in a Trust

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 market value of the Trust assets 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, 2013, the fair value of net assets held in the Trust amounted to $3,211,138.

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 market 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 market value of the Trust fluctuates, so do the annuities payable to the life tenants. As of June 30, 2013, the present value of future payments due to the life tenants amounted to $934,424.

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 Trust as "Beneficial interest in trust" on the statement of financial position which was $569,207 as of June 30, 2013.

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:

June 30, 2013	
Amounts due in:	
Within one year	$583,700
Within two to five years	172,308
Total	756,008
Net present value discount	(2,068)
Net present value of contributions receivable at June 30, 2013	$753,940

For the year ended June 30, 2013, the net present value blended discount rate was 3%.

6. Fixed Assets, Net

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

June 30, 2013	
Leasehold improvements	$ 953,259
Scientific equipment	550,539
Furniture, fixtures and equipment	226,513
Mobile units	183,753
Total fixed assets	1,914,064
Less: Accumulated depreciation and amortization	(1,419,757)
Fixed assets, net	$ 494,307

7. Line of Credit

During February 2011, CHC entered into a $250,000 line of credit with a financial institution which is payable on demand. Interest payments on all unpaid principal are due on a monthly basis. Interest is charged at the bank's prime rate (3.25% at June 30, 2013) plus .25%. The line of credit is collateralized by all personal property of CHC. The outstanding borrowings at June 30, 2013 were $250,000.

8. Loan Payable

CHC has a loan payable with a financial institution maturing on February 17, 2016. Payments of $6,578 are due monthly, including interest of 4.77%. The loan is secured by all business assets, including inventory, equipment, accounts receivable, chattel paper, documents, instruments, and letter of credit rights. The outstanding loan balance at June 30, 2013 was $197,226, inclusive of $71,097 due during the next fiscal year which is reported as a current liability on the statement of financial position.

Principal repayments of loan payable are as follows:

Year ending June 30,	
2014	$ 71,097
2015	74,563
2016	51,566
	$197,226

9. Temporarily Restricted Net Assets and Net Assets Released From Restrictions

Temporarily restricted net assets consist of funds available for the following purposes:

June 30, 2013	
Senior Hearing Program	$ 74,652
Center for Hearing and Aging	77,833
Mobile Unit-Hearing Testing	39,814
Evaluations for Auditory Processing Disorder	25,000
Job training	619
Donor-imposed time restrictions	569,740
Investment income available for spending rate	84,945
	$872,603

The amounts of temporarily restricted net assets released from restrictions during the year ended June 30, 2013 are as follows:

Year ended June 30, 2013	
Center for Hearing and Aging	$109,167
Mobile Unit-Hearing Testing	43,500
Job training	23,588
Spending rate on endowment	170,000
	$346,255

10. Permanently Restricted Net Assets

CHC's permanently restricted net assets consist of donor-restricted endowment funds that have been established for various purposes. For the year ended June 30, 2013, permanently restricted net assets included:

June 30, 2013	
General support	$2,849,917
Various program purposes	1,572,528
	$4,422,445

The following table represents the endowment net asset composition by type of fund as of June 30, 2013:

Assets limited to use	$ 280,000
Mutual funds:	
International funds	373,417
Stock funds	991,892
Bond funds	1,463,327
Short-term funds	314,800
Corporate bond	192,500
Total investments	3,615,936
Donor commitments	202,363
	$3,818,299

The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2013:

	Permanently Restricted
Endowment net assets, beginning of year	$4,415,162
Change in endowment net assets	7,283
Endowment net assets, end of year	$4,422,445

As of June 30, 2013 the endowment's assets were at $604,146 below their historical principal value due to borrowing by CHC to meet certain operating needs in previous fiscal years.

11. Retirement Plans

CHC administers two retirement plans: a 401(a) profit-sharing plan and a 403(b) plan. The 401(a) profit-sharing plan is available to all employees who have completed 1,000 hours of service in one year and have attained the age of 21. Under the 403(b) plan, employer contributions are not matched to employee contributions and are determined on an annual basis. For the year ended June 30, 2013, no employer contributions were made.

12. Commitments

(a) 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:

Year ending June 30,	
2014	$ 550,998
2015	583,851
2016	596,323
2017	610,982
2018	627,916
Thereafter	3,409,070
	$6,379,140

Rent expense for the year ended June 30, 2013 was $525,705.

In lieu of a cash security deposit for the New York and Florida offices, CHC had provided the premises' landlord with irrevocable letters of credit in the sum of $250,000 and $30,000, respectively, that are secured by CHC's cash and investments.

(b) Sales Commitment Agreement

CHC has entered into a sales agreement with a hearing aid vendor which has long been a supplier of state-of-the-art listening device products. In return for meeting certain annual sales milestones defined by the vendor, CHC will receive a reduction in product costs. If annual sales milestones are not met, CHC will pay 4% interest on the unmet sales commitment. The reduction to the cost of goods sold will be reported in congruence with the portion of the sales commitment met. Reduction of product costs related to sales commitments not yet met will be reported as deferred revenue in the statement of financial position.

13. Broward County Supplemental Information

Included in government grants and contracts are funds from pass-through agencies of Broward County, Florida. In accordance with contract requirements, an accounting of the amounts received and spent in accordance is provided for the year ended June 30, 2013:

Funding Source	Grant Number	Total Grant	Grant Receivable July 1, 2012	Grant Revenues	Grant Expenditures	Reimbursable Grant Expenditures	Cash Received	Accrued Revenue, June 30, 2013
Health Care Services - Audiology	12-CP-HCS-8234-01	$16,200	$ 2,527	$ 3,175	$ 5,702	$ 5,702	$ 5,702	$ -
	12-CP-HCS-8234-01	16,200	-	12,247	9,331	9,331	9,331	2,916
Behavioral Health Counseling	12-CP-CSA-8234-01	34,775	5,526	11,448	16,974	16,974	16,974	-
	12-CP-CSA-8234-01	34,775	-	27,413	20,920	20,920	20,920	6,493
Behavioral Health:								
Substance abuse	10-CP-CSA-8234-01	71,755	8,529	28,044	36,573	36,573	36,573	-
	10-CP-CSA-8234-01/1	89,637	-	38,689	26,355	26,355	26,355	12,334
			$16,582	$121,016	$115,855	$115,855	$115,855	$21,743

14. Net Asset Restatement

The deferred rent liability is a noncash item that will ultimately reverse itself by the end of the lease term and has no direct cash impact on current operations. The net assets of CHC as of June 30, 2012 were restated to reflect an adjustment to straight line its rent expense in accordance with generally accepted accounting principles. The adjustment is reflected in the net assets balance as follows:

June 30, 2012	
Net assets previously reported	$5,047,725
Additional occupancy expense	(54,597)
Net assets, restated	$4,993,128

15. Additional Estate Income

CHC expects to receive cash and other assets from various estates. At present the terms and amounts of these contributions have not been finalized. Accordingly, no receivable has been recorded in the financial statements.

16. Subsequent Events

CHC's management has performed subsequent event procedures through September 18, 2013, which is the date the financial statements were available to be issued, and there were no subsequent events requiring adjustments to the financial statements or disclosures as stated herein.