

Center for Hearing and Communication

**Financial Statements
Year Ended June 30, 2017**



Center for Hearing and Communication

Contents

June 30, 2017

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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, 2017 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, 2017 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 2016 financial statements, and our report dated October 20, 2016 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, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazars USA LLP

October 9, 2017

Center for Hearing and Communication
Statement of Financial Position
June 30, 2017 (with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 88,007	\$ 106,261
Accounts receivable less insurance adjustment allowance for doubtful accounts of \$2,095 for 2017 and \$42,799 for 2016	131,378	89,451
Contributions receivable, net current portion	771,921	649,800
Grants receivable	332,360	297,594
Listening device inventory	88,777	62,887
Prepaid expenses and other assets	<u>4,211</u>	<u>20,379</u>
 Total current assets	 1,416,654	 1,226,372
Assets limited to use	262,009	256,534
Investments at fair value	3,609,508	3,582,131
Contributions receivable net, less current portion	384,693	378,490
Beneficial interest in trusts	713,886	640,639
Fixed assets, net	<u>384,618</u>	<u>415,035</u>
 Total assets	 <u>\$ 6,771,368</u>	 <u>\$ 6,499,201</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 501,200	\$ 520,367
Accrued vacation payable	151,371	144,635
Line of credit	100,000	250,000
Loan payable, current portion	<u>46,023</u>	<u>-</u>
 Total current liabilities	 798,594	 915,002
Deferred rent	353,239	324,340
Deferred revenue	1,594	28,122
Loan payable, non-current portion	<u>191,977</u>	<u>-</u>
 Total liabilities	 <u>1,345,404</u>	 <u>1,267,464</u>
Net assets (deficit)		
Unrestricted	(688,520)	(294,482)
Temporarily restricted	1,692,299	1,104,034
Permanently restricted	<u>4,422,185</u>	<u>4,422,185</u>
 Total net assets	 <u>5,425,964</u>	 <u>5,231,737</u>
 Total liabilities and net assets	 <u>\$ 6,771,368</u>	 <u>\$ 6,499,201</u>

The accompanying notes are integral part of these financial statements.

Center for Hearing and Communication
Statement of Activities
Year Ended June 30, 2017 (with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
Revenue					
Fee for service					
Patient service revenue, net	\$ 1,101,380	\$ -	\$ -	\$ 1,101,380	\$ 971,799
Hearing aid sales, net of cost of goods sold of \$743,603 for 2017 and \$627,993 for 2016	796,573	-	-	796,573	709,394
Total fee for service	1,897,953	-	-	1,897,953	1,681,193
Public support					
Government grants and contracts	404,940	-	-	404,940	404,940
Broward county grants and contracts	1,051,719	-	-	1,051,719	890,281
Foundation and corporate grants	420,408	612,781	-	1,033,189	1,125,347
Contributions-operational support	215,479	327,189	-	542,668	535,064
Special event income, net of direct costs of \$202,945 for 2017 and \$196,013 for 2016	640,498	-	-	640,498	588,265
Total public support	2,733,044	939,970	-	3,673,014	3,543,897
Net assets released from restrictions	643,750	(643,750)	-	-	-
Investment income and other revenues					
Interest and dividend income	-	83,288	-	83,288	88,732
Net realized and unrealized gain on investments	-	208,757	-	208,757	(25,926)
Other income	3,905	-	-	3,905	4,723
Total investment income and other revenues	3,905	292,045	-	295,950	67,529
Total revenue	5,278,652	588,265	-	5,866,917	5,292,619
Expenses					
Program services	4,675,034	-	-	4,675,034	4,449,935
Management and general	510,445	-	-	510,445	496,885
Fundraising	487,211	-	-	487,211	447,059
Total expenses	5,672,690	-	-	5,672,690	5,393,879
Change in net assets	(394,038)	588,265	-	194,227	(101,260)
Net (deficit) assets, beginning of year	(294,482)	1,104,034	4,422,185	5,231,737	5,332,997
Net (deficit) assets, end of year	\$ (688,520)	\$ 1,692,299	\$ 4,422,185	\$ 5,425,964	\$ 5,231,737

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

Center for Hearing and Communication

Statement of Functional Expenses

Year Ended June 30, 2017 (with comparative totals for 2016)

	Program Services			Supporting Services			Total	
	New York	Florida	Total Program Services	Management and General	Fundraising	Total Supporting Services	2017	2016
Salaries and related expenses:								
Salaries	\$ 1,812,051	\$ 948,834	\$ 2,760,885	\$ 244,363	\$ 344,423	\$ 588,786	\$ 3,349,671	\$ 3,184,025
Employee benefits and taxes	351,253	175,987	527,240	28,654	50,502	79,156	606,396	580,007
Total salaries and related expenses	2,163,304	1,124,821	3,288,125	273,017	394,925	667,942	3,956,067	3,764,032
Other expenses:								
Occupancy	553,948	86,304	640,252	63,740	54,558	118,298	758,550	752,069
Professional fees and contracted services	213,518	67,047	280,565	66,427	11,955	78,382	358,947	334,393
Program transportation	20,780	77,571	98,351	-	-	-	98,351	104,320
Program meals and participants incidentals	-	83,124	83,124	-	-	-	83,124	60,471
Supplies	17,677	24,707	42,384	9,969	912	10,881	53,265	49,333
Printing and postage	12,712	1,223	13,935	1,834	872	2,706	16,641	8,002
Insurance	44,666	-	44,666	6,729	4,752	11,481	56,147	56,847
Repairs and maintenance	4,812	-	4,812	4,490	7,435	11,925	16,737	19,327
Telephone	11,798	6,648	18,446	2,542	1,256	3,798	22,244	22,418
Mobile testing unit	8,079	-	8,079	-	-	-	8,079	13,809
Equipment lease expense	23,489	6,981	30,470	2,164	1,537	3,701	34,171	35,222
Miscellaneous expenses	7,641	-	7,641	3,609	2,161	5,770	13,411	15,420
Conference and training	7,941	2,524	10,465	687	-	687	11,152	11,011
Dues and subscriptions	10,901	1,638	12,539	765	995	1,760	14,299	10,944
Advertising	6,863	994	7,857	9	791	800	8,657	3,735
Credit card fees and bank charges	-	16,314	16,314	50,362	-	50,362	66,676	46,890
Interest	-	-	-	20,287	-	20,287	20,287	14,778
Bad debts	-	-	-	-	3,250	3,250	3,250	3,617
Total expenses before depreciation	3,108,129	1,499,896	4,608,025	506,631	485,399	992,030	5,600,055	5,326,638
Depreciation	62,661	4,348	67,009	3,814	1,812	5,626	72,635	67,241
Total expenses	\$ 3,170,790	\$ 1,504,244	\$ 4,675,034	\$ 510,445	\$ 487,211	\$ 997,656	\$ 5,672,690	\$ 5,393,879

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

Center for Hearing and Communication
Statement of Cash Flows
Year Ended June 30, 2017 (with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Changes in net assets	\$ 194,227	\$ (101,260)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	72,635	67,241
Unrealized (gain) loss on investments	(88,013)	63,041
Realized gains on investments	(120,744)	(37,115)
Beneficial interest in trusts	(73,247)	27,191
Increase in present value for contribution receivable	(27,913)	(7,153)
(Increase) decrease in:		
Accounts receivable	(41,927)	68,747
Contributions receivable	(100,411)	(253,205)
Grants receivable	(34,766)	(57,602)
Listening device inventory	(25,890)	(20,443)
Prepaid expenses and other assets	16,168	(8,305)
Increase (decrease) in:		
Accounts payable and accrued expenses	(19,167)	66,580
Accrued vacation payable	6,736	2,808
Deferred rent	28,899	39,411
Deferred revenue	(26,528)	(32,291)
Net cash used in operating activities	<u>(239,941)</u>	<u>(182,355)</u>
Cash flows from investing activities		
Assets limited to use	(5,475)	2,784
Purchase of investments	(519,963)	(204,065)
Proceeds from sale of investments	701,343	420,737
Purchase of fixed assets	(42,218)	(78,763)
Net cash provided by investing activities	<u>133,687</u>	<u>140,693</u>
Cash flows from financing activities		
Principal payments of line of credit	(250,000)	-
Proceeds from line of credit	100,000	-
Proceeds from loan payable	250,000	-
Principal payments of loan payable	(12,000)	(51,805)
Net cash provided by provided by (used in) financing activities	<u>88,000</u>	<u>(51,805)</u>
Net decrease in cash and cash equivalents	(18,254)	(93,467)
Cash and cash equivalents, beginning of year	<u>106,261</u>	<u>199,728</u>
Cash and cash equivalents, end of year	<u>\$ 88,007</u>	<u>\$ 106,261</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 15,676</u>	<u>\$ 14,573</u>

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

Center for Hearing and Communication

Notes to Financial Statements

Year Ended June 30, 2017

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

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.

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 the 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.

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 the 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 the 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.

Income from investment gains and losses, including unrealized gains and losses, dividends and interest relating to investments that are permanently restricted are reported as increases (or decreases) in temporarily restricted net assets and are released into unrestricted net assets in accordance with CHC’s endowment fund spending policy unless the use of the income received is limited by donor-imposed restrictions.

Center for Hearing and Communication

Notes to Financial Statements

Year Ended June 30, 2017

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, 2017, 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, 2017 was approximately \$110,000. Management believes that credit risk related to these accounts is minimal based on the historical credit worthiness of this financial institution.

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 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. 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 revenue.

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Notes to Financial Statements

Year Ended June 30, 2017

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 market. Purchases of consumer ancillary supplies are considered expensed within the current fiscal year.

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 year ended June 30, 2017, 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 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.

Insurance revenue is recorded at published charges with contractual allowances deducted to arrive at net patient services revenue.

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Year Ended June 30, 2017

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.

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, 2017. CHC is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2014.

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, 2017, there was no interest or penalties recorded or included in the statement of activities.

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, 2016 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.

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.

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Notes to Financial Statements

Year Ended June 30, 2017

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. For the year ended June 30, 2017, due to operational needs, CHC's board authorized withdrawals of 7.6% from endowment assets.

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

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Notes to Financial Statements

Year Ended June 30, 2017

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, 2017 are summarized as follows:

	<u>Fair Value</u>	<u>Cost</u>
Mutual funds:		
International funds	\$ 504,387	\$ 470,754
Stock funds	1,178,637	735,123
Bond funds	1,346,035	1,359,579
Short-term funds	388,431	338,585
Sallie Mae Corporate bond	<u>192,018</u>	<u>200,349</u>
	<u>\$ 3,609,508</u>	<u>\$ 3,104,390</u>

Below sets forth the table of assets measured at fair value as of June 30, 2017:

	<u>Fair Value Measurement at Reporting Date Using</u>			<u>Balance as of June 30, 2017</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>	
Mutual funds:				
International funds	\$ 504,387	\$ -	\$ -	\$ 504,387
Stock funds	1,178,637	-	-	1,178,637
Bond funds	1,346,035	-	-	1,346,035
Short-term funds	388,431	-	-	388,431
Sallie Mae Corporate bond	-	192,018	-	192,018
Beneficial interest in a trust	<u>-</u>	<u>-</u>	<u>713,886</u>	<u>713,886</u>
	<u>\$ 3,417,490</u>	<u>\$ 192,018</u>	<u>\$ 713,886</u>	<u>\$ 4,323,394</u>

During the fiscal year ended June 30, 2017, there were no changes to the classification of investments within the fair value hierarchy. At June 30, 2017, 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 trusts of \$713,886. There currently is no market in which beneficial interest in trusts trade; therefore, no observable exit price exists for a beneficial interest in trusts.

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Notes to Financial Statements

Year Ended June 30, 2017

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, 2017:

	Beneficial Interest in Trusts
Beginning balance at July 1, 2016	\$ 640,639
Unrealized appreciation	73,247
Ending balance at June 30, 2017	<u>\$ 713,886</u>

As of June 30, 2017, 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:

Realized gains on investments	\$ 120,744
Unrealized gain on investments	101,081
Interest and dividends on investments	83,288
Less: investment management fees	(13,068)
	<u>\$ 292,045</u>

4. Beneficial Interest in Trusts

i. First Charitable Remainder Unitrust

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, 2017, the fair value of net assets held in the Trust amounted to \$3,479,711.

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, 2017, the present value of future payments due to the life tenants amounted to \$755,429.

ii. Second Charitable Remainder Unitrust

CHC was named as a beneficiary in a second Charitable Remainder Unitrust (the "Second Trust"). CHC is not the trustee of the Second Trust nor is it able to exercise control over assets contributed to the Second Trust. Under the Second Trust agreement, CHC will receive 16.67% of the remaining assets after the last life tenant. As of June 30, 2017, the fair value of net assets held in the Trust amounted to \$218,128.

Center for Hearing and Communication

Notes to Financial Statements

Year Ended June 30, 2017

The present value of the future cash flows is expected to be paid to the life tenants over their estimated lives. As of June 30, 2017, the present value of future payments due to the life tenants amounted to \$31,162.

iii. Both Trusts

Since CHC is not the trustee of both Trusts 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 \$713,886 as of June 30, 2017.

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:

Amounts due:	
Within one year	\$ 771,921
Within two to five years, net of present value discount of \$27,913	<u>384,693</u>
Net present value of contributions receivable at June 30, 2017	<u>\$ 1,156,614</u>

For the year ended June 30, 2017, the net present value blended discount rate was 1.89%.

6. Fixed Assets, Net

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

Leasehold improvements	\$ 995,349
Scientific equipment	652,200
Furniture, fixture and equipment	244,345
Mobile units	<u>187,340</u>
Total fixed assets	2,079,234
Less: accumulated depreciation and amortization	<u>(1,694,616)</u>
Fixed assets, net	<u>\$ 384,618</u>

7. Line of Credit

In 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 principle were due on a monthly basis. Interest was charged at the bank's prime rate (3.50% during the year ended 2017) plus .25%. The line of credit was collateralized by all personal property of CHC. This line of credit was fully paid on May 12, 2017.

Center for Hearing and Communication

Notes to Financial Statements

Year Ended June 30, 2017

In March 2017, CHC entered into a \$100,000 line of credit with a financial institution. The line of credit terminates on March 1, 2018. Interest payments on all unpaid principal are due on a monthly basis. Interest is charged at the bank's prime rate (4.25% at June 30, 2017) plus .25%. The line of credit is collateralized by all business assets of CHC. The outstanding borrowings at June 30, 2017 were \$100,000.

8. Loan 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. For the year ended June 30, 2017, the loan payable outstanding was \$238,000.

Principal repayments of loan payment are as following:

<u>Year Ending June 30,</u>	
2018	\$ 46,023
2019	48,167
2020	50,397
2021	52,759
2022	<u>40,654</u>
	<u>\$ 238,000</u>

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

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

Center for Hearing and Aging	\$ 100,000
Children and Adult Communication Services	500,488
Donor Imposed Time Restrictions	712,659
Investment Income	93,109
Communication Outreach	31,250
Audiology and BHTC Services	190,000
Pediatric Psychotherapy Services	25,000
Tele- Intervention	<u>39,793</u>
	<u>\$ 1,692,299</u>

Center for Hearing and Communication

Notes to Financial Statements

Year Ended June 30, 2017

The amounts of temporarily restricted net assets released from restrictions during the year ended June 30, 2017 are as follows:

Center for Hearing and Aging	\$ 165,000
Children and Adult Communication Services	28,750
Investment Income	260,000
IT Infrastructure	10,000
Communication Outreach	61,250
Audiology and BHTC Services	82,500
Pediatric Psychotherapy Services	36,250
	<hr/>
	\$ 643,750
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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, 2017, permanently restricted net assets included:

General support	\$ 2,849,657
Various program purposes	1,572,528
	<hr/>
	\$ 4,422,185
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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 is available to all employees who have completed 1,000 hours of service in one year and have attained the age of 21. For the year ended June 30, 2017, no employer contributions were made. The 403(b) plan is available for employee contributions only.

Center for Hearing and Communication

Notes to Financial Statements

Year Ended June 30, 2017

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>	
2018	\$ 611,525
2019	598,318
2020	598,463
2021	613,326
2022	628,559
Thereafter	<u>962,367</u>
	<u>\$ 4,012,558</u>

Rent expense for the year ended June 30, 2017 was \$635,546.

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 March 2017, 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 \$5,000 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.

Center for Hearing and Communication
Notes to Financial Statements
Year Ended June 30, 2017

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 is provided for the year ended June 30, 2017:

Funding Source	Grant Number	Total Grant	Grant Receivable July 1, 2016	Grant Revenues	Grant Expenditures	Reimbursable Grant Expenditures	Cash Received	Accrued Revenue June 30, 2017
Health Care Services - Audiology	12-CP-HCS-8234-01	\$ 16,200	\$ 3,046	\$ 2,462	\$ 2,462	\$ 2,462	\$ 5,508	\$ -
Behavioral Health Counseling Children	16-CP-CSA-8234-01	74,400	29,273	20,196	20,196	20,196	49,469	-
Behavioral Health Counseling children	16-CP-CSA-8234-01	74,400	-	63,324	63,324	63,324	43,416	19,908
Mental Health Counseling Adult	16-CP-HCS-8234-01	69,882	-	26,297	26,297	26,297	26,297	-
Mental Health Counseling Adult	16-CP-HCS-8234-01	69,882	19,001	62,915	62,915	62,915	68,371	13,545
			<u>\$ 51,320</u>	<u>\$ 175,194</u>	<u>\$ 175,194</u>	<u>\$ 175,194</u>	<u>\$ 193,061</u>	<u>\$ 33,453</u>

Center for Hearing and Communication

Notes to Financial Statements

Year Ended June 30, 2017

14. Related Party

On June 26, 2017, CHC hired a board member as a consultant to perform audiology services for the Florida office at a rate of \$45 per hour. The agreement terminates on June 26, 2018 with an option to extend the agreement for an additional three months.

15. Subsequent Events

CHC has evaluated subsequent events through October 9, 2017, the date the financial statements were available for issuance.

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