

**Center for Hearing and
Communication
(formerly League for the Hard
of Hearing)**

Financial Statements
Year Ended December 31, 2009

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Center for Hearing and Communication (formerly League for the Hard of Hearing)

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of the Center for Hearing and Communication (the "CHC") (formerly League for the Hard of Hearing) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of CHC's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended December 31, 2008 is presented for comparative purposes only and was extracted from the financial statements of the Center for Hearing and Communication for that year, on which we expressed an unqualified opinion, dated March 4, 2009.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CHC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

March 25, 2010

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Statement of Financial Position (with comparative totals for 2008)

<i>December 31,</i>	2009	2008
Assets		
Current:		
Cash and cash equivalents (Note 2(c))	\$ 435,107	\$ 774,857
Accounts receivable, less allowance for doubtful accounts of \$212,377 in 2009 and \$260,688 in 2008 (Notes 4, 7, 8 and 13)	354,550	571,527
Contributions receivable, net, current portion (Note 5)	472,083	147,100
Grants receivable	258,458	120,487
Hearing aids inventory (Note 2)	52,804	48,763
Prepaid expenses and other assets	81,373	41,597
Total current assets	1,654,375	1,704,331
Investments, at fair value (Notes 2, 3 and 13)	2,691,055	2,729,178
Contributions receivable, net, less current portion (Note 5)	775,392	31,025
Fixed assets, net (Notes 2 and 6)	815,699	838,073
	\$5,936,521	\$5,302,607
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 333,996	\$ 502,027
Accrued vacation payable	137,205	138,691
Line of credit (Note 7)	450,000	-
Loan payable, current portion (Note 8)	86,750	82,725
Deferred revenue	6,233	6,233
Total current liabilities	1,014,184	729,676
Loan payable, less current portion (Note 8)	14,691	101,346
Total liabilities	1,028,875	831,022
Commitments (Notes 7, 8 and 13)		
Net assets:		
Unrestricted	988,398	1,118,795
Unrestricted – board designated	191,400	-
Temporarily restricted (Note 9)	830,437	242,697
Permanently restricted (Note 10)	2,897,411	3,110,093
Total net assets	4,907,646	4,471,585
	\$5,936,521	\$5,302,607

See accompanying notes to financial statements.

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Statement of Activities (with comparative totals for 2008)

Year ended December 31,

	Unrestricted	Temporarily restricted	Permanently restricted	Total	
				2009	2008
Revenues:					
Fee for service:					
Patient service revenue - net	\$1,190,313	\$ -	\$ -	\$1,190,313	\$1,254,062
Hearing aid sales - net	473,918	-	-	473,918	578,357
Total fee for service	1,664,231	-	-	1,664,231	1,832,419
Public support:					
Government grants and contracts	962,044	-	-	962,044	1,006,540
Broward County grants and contracts	782,972	-	-	782,972	447,707
Foundation and corporate grants	494,346	10,000	-	504,346	331,881
Contributions – operational	465,150	-	-	465,150	1,467,924
Contributions – endowment	433,225	775,392	-	1,208,617	-
Special events income, net of expenses of \$141,336	389,408	-	-	389,408	344,354
Total public support	3,527,145	785,392	-	4,312,537	3,598,406
Net assets released from restrictions (Note 9)	260,334	(197,652)	(62,682)	-	-
Investment earnings:					
Interest income	63,690	-	-	63,690	103,661
Net realized and unrealized gains (losses) on investments	15,839	-	-	15,839	(9,675)
Other income	1,315	-	-	1,315	9,519
Total investment earnings	80,844	-	-	80,844	103,505
Total revenues	5,532,554	587,740	(62,682)	6,057,612	5,534,330
Expenses:					
Program services	4,498,685	-	-	4,498,685	4,955,593
Management and general	578,725	-	-	578,725	631,604
Fundraising	544,141	-	-	544,141	341,441
Total expenses	5,621,551	-	-	5,621,551	5,928,638
Change in net assets	(88,997)	587,740	(62,682)	436,061	(394,308)
Reclassification of permanently restricted to unrestricted endowment (Note 10)					
	150,000	-	(150,000)	-	-
Net assets, beginning of year	1,118,795	242,697	3,110,093	4,471,585	4,865,893
Net assets, end of year	\$1,179,798	\$ 830,437	\$2,897,411	\$4,907,646	\$4,471,585

See accompanying notes to financial statements.

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Statement of Functional Expenses (with comparative totals for 2008)

Year ended December 31,

	Program services			Supporting services			Total	
	LHH- New York	LHH – Florida	Total program services	Management and general	Fundraising	Total supporting services	2009 total	2008 total
Salaries and related expenses:								
Salaries	\$1,813,664	\$ 705,210	\$2,518,874	\$345,894	\$342,351	\$ 688,245	\$3,207,119	\$3,405,653
Employee benefits and taxes	379,417	126,567	505,984	58,793	77,570	136,363	642,347	589,505
Total salaries and related expenses	2,193,081	831,777	3,024,858	404,687	419,921	824,608	3,849,466	3,995,158
Other expenses:								
Occupancy	517,616	67,508	585,124	35,792	37,991	73,783	658,907	709,113
Professional fees and contracted services	180,505	48,009	228,514	36,647	49,416	86,063	314,577	312,296
Interest and bank charges	2,198	12,774	14,972	61,512	-	61,512	76,484	76,182
Supplies	19,529	53,723	73,252	8,097	3,155	11,252	84,504	82,648
Printing	5,898	784	6,682	1,334	646	1,980	8,662	10,153
Insurance	23,300	10,707	34,007	10,525	4,765	15,290	49,297	43,505
Travel	48,292	129,690	177,982	570	228	798	178,780	151,399
Repairs and maintenance	8,142	187	8,329	1,925	5,480	7,405	15,734	35,278
Postage	11,631	2,730	14,361	1,160	7,184	8,344	22,705	42,452
Telephone	10,998	8,719	19,717	4,308	1,877	6,185	25,902	27,600
Vehicle	26,420	-	26,420	-	-	-	26,420	50,154
Equipment lease expense	18,645	6,960	25,605	2,655	5,839	8,494	34,099	18,720
Miscellaneous	1,197	6,809	8,006	6,382	1,198	7,580	15,586	26,949
Conferences and training	19,057	706	19,763	755	2,692	3,447	23,210	20,917
Dues and subscriptions	2,493	2,425	4,918	1,025	1,007	2,032	6,950	4,618
Advertising	6,537	7,794	14,331	473	90	563	14,894	4,435
Bad debt	100,130	-	100,130	-	-	-	100,130	181,970
Total expenses before depreciation and amortization	3,195,669	1,191,302	4,386,971	577,847	541,489	1,119,336	5,506,307	5,793,547
Depreciation and amortization	103,553	8,161	111,714	878	2,652	3,530	115,244	135,091
Total expenses	\$3,299,222	\$1,199,463	\$4,498,685	\$578,725	\$544,141	\$1,122,866	\$5,621,551	\$5,928,638

See accompanying notes to financial statements.

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Statement of Cash Flows (with comparative totals for 2008)

<i>Year ended December 31,</i>	2009	2008
Cash flow from operating activities:		
Change in net assets	\$ 436,061	\$ (394,308)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	115,244	135,091
Allowance for doubtful accounts	-	118,687
Discount on contributions receivable	47,283	(2,768)
Allowance for obsolete inventory		620
Loss on disposal of fixed assets	-	20,000
Donated property	-	(12,153)
Realized gains on investments	-	(29,156)
Unrealized (gains) losses on investments	(15,839)	18,831
Amortization of discount	(5,716)	-
(Increase) decrease in:		
Accounts receivable	216,977	(114,317)
Contributions receivable	(1,116,633)	249,022
Grants receivable	(137,971)	18,681
Hearing aids inventory	(4,041)	33,196
Prepaid expenses and other assets	(39,776)	(4,512)
Increase (decrease) in:		
Accounts payable and accrued expenses	(168,031)	(70,357)
Accrued vacation payable	(1,486)	28,838
Deferred revenue	-	(23,097)
Net cash used in operating activities	(673,928)	(27,702)
Cash flows from investing activities:		
Purchases of investments	(2,427,711)	(3,084,663)
Proceeds from sale of investments	2,487,391	3,468,686
Purchases of fixed assets	(92,872)	(79,812)
Net cash provided by (used in) investing activities	(33,192)	304,211
Cash flows from financing activities:		
Proceeds from line of credit	450,000	-
Repayments of line of credit	-	(350,000)
Proceeds from loans payable	-	250,000
Principal payments of loans payable	(82,630)	(173,931)
Net cash provided by (used in) financing activities	367,370	(273,931)
Net increase (decrease) in cash and cash equivalents	(339,750)	2,578
Cash and cash equivalents, beginning of year	774,857	772,279
Cash and cash equivalents, end of year	\$ 435,107	\$ 774,857
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 22,625	\$ 25,297

See accompanying notes to financial statements.

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Notes to Financial Statements

- 1. Description of Organization**

The mission of the Center for Hearing and Communication (“CHC”) (formerly League for the Hard of Hearing) is to improve the quality of life for people with all degrees of hearing loss, and empower consumers to achieve their potential. With clinical expertise, CHC addresses the unique needs of each person with whom it interacts, driven by the goal of helping him or her to enjoy the best possible quality of life. CHC accomplishes this by providing extensive hearing rehabilitation and human services including public education, outreach, and a wide array of clinical services for deaf, hard of hearing and deaf-blind people and their families, regardless of personal or financial circumstances, or mode of communication.

- 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.

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Notes to Financial Statements

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.

(c) *Cash and Cash Equivalents*

Cash equivalents represent short-term investments with original maturities of three months or less.

(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) *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.

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Notes to Financial Statements

(f) *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. The discounts on those amounts are computed using the yield of five-year United States Treasury notes, averaged with A-rated corporate bonds with shorter maturities. Amortization of the discounts is included in public support. Conditional promises to give are not included as support until the conditions are substantially met.

(g) *Hearing Aid Inventory*

Hearing aids are stated at the lower of cost (determined on a first-in, first-out basis) or market. For 2009, purchases of consumer ancillary supplies are considered expensed within the current fiscal year.

(h) *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
Leasehold improvements	Lesser of 5-20 or life of lease
Scientific equipment	5-10
Furniture, fixtures and equipment	3-10
Mobile units	10

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Notes to Financial Statements

(i) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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

CHC has a broad base of clients with various types of medical coverage. In 2009, CHC entered into a contract with an outside billing agency to process 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.

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Notes to Financial Statements

(k) 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 December 31, 2009.

(l) 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.

(m) 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CHC’s financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Notes to Financial Statements

(n) *Reclassifications*

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation. The reclassification had no impact on change in net assets.

(o) *Accounting for Uncertainty in Income Taxes*

Under Accounting Standards Codification (“ASC”) 740-10, formerly Financial Accounting Standards Board (“FASB”) Interpretation No. 48, “Accounting for Uncertainty in 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 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 December 31, 2009, there was no interest or penalties recorded or included in the statement of activities.

(p) *Net Asset Classification*

In August 2008, ASC 958-205, formerly Statement of Financial Accounting Standards (“SFAS”) No. 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and Enhanced Disclosures for All Endowment Funds” was issued. This statement is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This statement provides guidance on classifying the net assets (equity) associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The statement is effective for all fiscal years ending after December 15, 2008.

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Notes to Financial Statements

3. **Financial Instruments and Fair Value**

ASC 820-10, formerly SFAS No. 157, “Fair Value Measurements”, which 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 observable market data. Unobservable inputs are inputs that can not 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 for 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 market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

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.

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Notes to Financial Statements

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 highly liquidated. 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 are summarized as follows:

	Fair value	Cost
Money market funds	\$ 40,927	\$ 40,927
Short-term securities	847,609	849,404
Equity securities	1,251	4,759
Fixed income securities	1,801,268	1,772,863
	<u>\$2,691,055</u>	<u>\$2,667,953</u>

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Notes to Financial Statements

Below sets forth the table of assets measured at fair value as of December 31, 2009:

	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 December 31, 2009
Money market funds	\$ 40,927	\$ -	\$ -	\$ 40,927
Short-term securities	847,609	-	-	847,609
Equity securities	1,251	-	-	1,251
Fixed income securities	1,596,291	204,977	-	1,801,268
Total	\$2,486,078	\$204,977	\$ -	\$2,691,055

4. Accounts Receivable, Net

Accounts receivable at December 31, 2009 consist of the following:

December 31, 2009

Accounts receivable	\$ 566,927
Less: Allowance for doubtful accounts	(212,377)
Accounts receivable, net	\$ 354,550

5. Contributions Receivable, Net

The net present value was calculated using a discounted rate equal to the average yield of CHC's long-term investments. The rate of return on these investments was 2.4% in fiscal year 2009.

The net present value of contributions receivable at December 31, 2009 is summarized below:

December 31, 2009

Amounts due in:	
Within one year	\$ 472,083
Within two to five years	821,650
Total	1,293,733
Less: Discount at 2.4%	(46,258)
Net present value of contributions receivable at December 31, 2009	\$1,247,475

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Notes to Financial Statements

- 6. Fixed Assets, Net** Fixed assets, net, stated at cost, consists of the following:

<i>December 31, 2009</i>	
Leasehold improvements	\$ 950,467
Scientific equipment	435,815
Furniture, fixtures and equipment	262,039
Mobile unit	183,753
	1,832,074
Less: Accumulated depreciation and amortization	(1,016,375)
	\$ 815,699

- 7. Line of Credit** CHC has a line of credit with a financial institution up to \$450,000, payable at an interest rate of 2.5%, due May 2010. Outstanding borrowings, if any, are secured by CHC's accounts receivable. The outstanding balance as of December 31, 2009 was \$450,000.

- 8. Loan Payable** *December 31, 2009*
- | | |
|--|-----------|
| Loan payable with a financial institution maturing on February 11, 2011, monthly payments of \$7,474, including interest of 4.75%. The loan is secured by accounts receivable. | \$101,441 |
| Less: Current maturities | (86,750) |
| | \$ 14,691 |

Principal repayments of loans payable are as follows:

<i>Year ending December 31,</i>	
2010	\$ 86,750
2011	14,691
	\$101,441

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Notes to Financial Statements

9. Temporarily Restricted Net Assets and Net Assets Released from Restriction Temporarily restricted net assets consist of funds available for the following purposes:

<i>December 31, 2009</i>	
Marketing	\$ 45,045
Equipment	10,000
Donor-imposed time restriction	775,392
	\$830,437

The amounts of temporarily restricted net assets released from restrictions during fiscal year ended December 31, 2009 are as follows:

<i>December 31, 2009</i>	
Family Resource Center	\$ 39,000
Marketing	49,595
CISG	5,800
Listening lab	91,786
Project Path	10,000
Other	1,471
	\$197,652

10. Permanently Restricted Net Assets Permanently restricted net assets represent donor restricted contributions to be held in perpetuity, the income from which is expendable for several purposes. During 2009, \$150,000 of permanently restricted net assets was reclassified to unrestricted net assets, to be held for long-term investment. Donors released an additional \$62,682 from restrictions.

<i>December 31, 2009</i>	
General support	\$1,232,257
Various program purposes	1,665,154
	\$2,897,411

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Notes to Financial Statements

- 11. Endowments – Net Asset Classifications** CHC’s endowments consist of investments that are board designated and permanently restricted. Under ASC 958-205, the following applies to the endowment funds:

Interpretation of relevant law - the spending of endowment funds by a not-for-profit corporation in the State of New York is currently governed by the Uniform Management of Institutional Funds Act (“UMIFA”), as enacted in 1978 in the New York Not-For-Profit Corporation Law. CHC has interpreted UMIFA as requiring the preservation of the historical dollar value, or principal, of an endowment fund unless the donor provides otherwise by specifying in their written gift instruments that the not-for-profit corporation’s spending-rate policy be applied to the endowment funds.

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 board-designated as well as donor-restricted funds that CHC must hold in perpetuity. The endowment funds are invested in vehicles such as money market funds, fixed income securities, mutual funds, government and equity securities, as well as certificates of deposit.

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; and

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Notes to Financial Statements

- the investment policy of CHC, as enforced by the Finance Committee of the Board of Directors.

The following table represents the endowment net asset composition by type of fund as of December 31, 2009:

	Board- designated endowment	Permanently restricted	Total
Cash	\$191,400	\$ 206,356	\$ 397,756
Money market funds	-	40,927	40,927
Short-term securities	-	847,609	847,609
Equity securities	-	1,251	1,251
Fixed income securities	-	1,801,268	1,801,268
	\$191,400	\$2,897,411	\$3,088,811

The following table represents the reconciliation of changes in endowment net assets for the year ended December 31, 2009:

	Board- designated endowment	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$3,110,093	\$3,110,093
Investment income:			
Investment income	1,967	61,723	63,690
Net depreciation (realized and unrealized)	489	15,350	15,839
Total investment income	2,456	77,073	79,529
Transfer of income to unrestricted funds	(2,456)	(77,073)	(79,529)
Contributions	41,400	-	41,400
Assets released from restrictions	-	(62,682)	(62,682)
Assets transferred to unrestricted net assets	150,000	(150,000)	-
Total transferred/ released	150,000	(212,682)	(62,682)
Endowment net assets, end of year	\$191,400	\$2,897,411	\$3,088,811

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Notes to Financial Statements

- 12. 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 December 31, 2009, no employer contributions were made.

13. 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:

<i>Year ending December 31,</i>	
2010	\$ 681,461
2011	695,244
2012	709,350
2013	747,506
2014	805,172
Thereafter	6,737,952
Total	\$10,376,685

Rent expense for the year ended December 31, 2009 was \$658,907.

In lieu of a cash security deposit for the New York office, CHC had provided the premises' landlord with irrevocable letters of credit in the sum of \$93,801 and \$30,000 that are secured by CHC's investments (Note 3).

Center for Hearing and Communication (formerly League for the Hard of Hearing)

Notes to Financial Statements

- 14. Subsequent Event** CHC's management has performed subsequent event procedures through March 25, 2010, 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.