




Center for Hearing and Communication

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



Center for Hearing and Communication

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Center for Hearing and Communication, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Center for Hearing and Communication as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Center for Hearing and Communication and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Hearing and Communication's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Center for Hearing and Communication's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Hearing and Communication's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

Center for Hearing and Communication's 2023 financial statements were audited by other auditors who expressed an unmodified audit opinion on those audited financial statements in their report dated October 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Center for Hearing and Communication's basic financial statements. The Broward County supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The Broward County supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Forvis Mazars, LLP

New York, New York
November 14, 2024

Center for Hearing and Communication

Statements of Financial Position June 30, 2024 (with comparative totals for 2023)

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 630,961	\$ 434,383
Accounts receivable less insurance adjustment and allowance for doubtful accounts of \$27,724 for 2024 and \$40,766 for 2023	281,253	249,740
Contributions receivable, net, current portion	412,125	370,945
Investments at fair value	818,612	1,253,992
Grants receivable	225,599	230,094
Listening device inventory	26,610	44,771
Right of use assets, current portion	648,496	631,430
Prepaid expenses and other assets	91,959	81,584
Total current assets	3,135,615	3,296,939
Assets limited to use	263,327	250,027
Investments at fair value	2,620,343	2,413,251
Contributions receivable net, non-current portion	268,135	51,237
Beneficial interest in trusts	755,708	716,183
Right of use assets, non-current portion	6,755,140	7,403,630
Fixed assets, net	403,601	421,591
Total assets	<u>\$ 14,201,869</u>	<u>\$ 14,552,858</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 329,963	\$ 409,506
Accrued vacation payable	248,844	256,591
Contract liabilities	141,108	123,430
Line of credit	150,000	75,000
Lease liabilities, current portion	570,994	538,739
Loans payable, current portion	48,536	45,450
Total current liabilities	1,489,445	1,448,716
Lease liabilities, non-current portion	7,419,896	7,990,890
Loans payable, non-current portion	131,349	179,885
Total liabilities	<u>9,040,690</u>	<u>9,619,491</u>
Net assets		
Without donor restrictions	316,007	710,686
With donor restrictions	4,845,172	4,222,681
Total net assets	<u>5,161,179</u>	<u>4,933,367</u>
Total liabilities and net assets	<u>\$ 14,201,869</u>	<u>\$ 14,552,858</u>

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

Center for Hearing and Communication

Statements of Activities

Year Ended June 30, 2024 (with comparative totals for 2023)

			Total	
	Without Donor Restriction	With Donor Restriction	2024	2023
Revenue				
Fee for service				
Patient service revenue, net	\$ 1,276,943	\$ -	\$ 1,276,943	\$ 1,168,494
Hearing aid sales, net of cost of goods sold of \$572,540 for 2024 and \$565,551 for 2023	538,875	-	538,875	637,671
Total fee for service	1,815,818	-	1,815,818	1,806,165
Public support				
Government grants and contracts	416,235	-	416,235	459,295
Broward county grants and contracts	843,767	-	843,767	1,070,058
Foundation and corporate grants	755,792	1,196,950	1,952,742	1,285,393
Contributions - operational support	362,339	-	362,339	252,301
Special event income, net of direct costs of \$369,018 for 2024 and \$239,029 for 2023	1,262,081	-	1,262,081	1,078,040
Total public support	3,640,214	1,196,950	4,837,164	4,145,087
Net assets released from restrictions	914,897	(914,897)	-	-
Investment income and other revenues				
Interest and dividend income	19,254	111,092	130,346	101,736
Net realized and unrealized gain on investments, net of expenses	-	189,820	189,820	124,610
Change in beneficial interest in trust	-	39,526	39,526	106,467
Other income	71,557	-	71,557	67,618
Total investment income and other revenues	90,811	340,438	431,249	400,431
Total revenue	6,461,740	622,491	7,084,231	6,351,683
Expenses				
Program services	5,559,929	-	5,559,929	5,787,049
Management and general	635,150	-	635,150	593,133
Fundraising	661,340	-	661,340	657,574
Total expenses	6,856,419	-	6,856,419	7,037,756
Change in net assets	(394,679)	622,491	227,812	(686,073)
Net assets, beginning of year	710,686	4,222,681	4,933,367	5,619,440
Net assets, end of year	\$ 316,007	\$ 4,845,172	\$ 5,161,179	\$ 4,933,367

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

Center for Hearing and Communication

Statements of Functional Expenses

Year Ended June 30, 2024 (with comparative totals for 2023)

	Program Services			Supporting Services			Total	
	New York	Florida	Total Program Services	Management and General	Fundraising	Total Supporting Services	2024	2023
Salaries and related expenses:								
Salaries	\$ 2,353,155	\$ 946,498	\$ 3,299,653	\$ 316,558	\$ 411,494	\$ 728,052	\$ 4,027,705	\$ 4,068,395
Employee benefits and taxes	564,522	188,448	752,970	53,034	94,177	147,211	900,181	979,478
Total salaries and related expenses	2,917,677	1,134,946	4,052,623	369,592	505,671	875,263	4,927,886	5,047,873
Other expenses:								
Occupancy	688,268	112,776	801,044	65,724	78,052	143,776	944,820	936,878
Inventory	572,540	-	572,540	-	-	-	572,540	565,551
Professional fees and contracted services	133,090	40,910	174,000	66,011	16,791	82,802	256,802	274,451
Program transportation	5,601	80,445	86,046	367	-	367	86,413	97,833
Event expenses	-	-	-	-	369,018	369,018	369,018	239,029
Program meals and participants incidentals	40	116,250	116,290	-	-	-	116,290	174,270
Supplies	12,546	3,400	15,946	3,773	807	4,580	20,526	22,833
Printing and postage	8,537	872	9,409	482	1,639	2,121	11,530	17,726
Insurance	84,255	-	84,255	8,253	9,861	18,114	102,369	92,663
Repairs and maintenance	9,258	-	9,258	2,572	17,049	19,621	28,879	24,861
Telephone	19,484	7,012	26,496	3,467	2,292	5,759	32,255	29,927
Mobile testing unit	28,283	-	28,283	-	-	-	28,283	16,422
Equipment lease expense	26,321	6,506	32,827	1,651	2,520	4,171	36,998	30,914
Miscellaneous expenses	21,666	494	22,160	4,594	8,899	13,493	35,653	13,588
Conference and training	2,135	2,919	5,054	1,005	32	1,037	6,091	24,120
Dues and subscriptions	14,913	11,806	26,719	628	10,194	10,822	37,541	35,791
Advertising	907	110	1,017	571	-	571	1,588	7,183
Credit card fees and bank charges	-	1,515	1,515	69,439	-	69,439	70,954	65,778
Interest	-	-	-	33,115	-	33,115	33,115	22,215
Bad debts	-	-	-	-	5,692	5,692	5,692	20,506
Total expenses before depreciation	4,545,521	1,519,961	6,065,482	631,244	1,028,517	1,659,761	7,725,243	7,760,412
Depreciation	61,351	5,636	66,987	3,906	1,841	5,747	72,734	81,924
Less: direct costs of special events	-	-	-	-	(369,018)	(369,018)	(369,018)	(239,029)
Less: cost of goods sold	(572,540)	-	(572,540)	-	-	-	(572,540)	(565,551)
Total expenses	\$ 4,034,332	\$ 1,525,597	\$ 5,559,929	\$ 635,150	\$ 661,340	\$ 1,296,490	\$ 6,856,419	\$ 7,037,756

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

Center for Hearing and Communication

Statements of Cash Flows

Year Ended June 30, 2024 (with comparative totals for 2023)

	2024	2023
Cash flows from operating activities		
Changes in net assets	\$ 227,812	\$ (686,073)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	72,734	81,924
Donated securities	-	30,969
Unrealized gain on investments	(35,966)	(75,768)
Realized gains on investments	(153,854)	(48,842)
Reduction in carrying amount of lease assets	631,424	574,176
Beneficial interest in trusts	(39,525)	(106,467)
Increase (decrease) in present value for contribution receivable	10,061	(3,252)
Accounts receivable	(31,513)	(105,285)
Contributions receivable	(248,017)	121,206
Grants receivable	4,495	66,350
Listening device inventory	18,161	(30,582)
Prepaid expenses and other assets	(10,375)	5,485
Increase (decrease) in:		
Accounts payable and accrued expenses	(79,543)	121,681
Accrued vacation payable	(7,747)	(13,835)
Operating lease liability	(538,739)	(466,892)
Contract liabilities	17,678	123,430
Net cash used in operating activities	(162,914)	(411,775)
Cash flows from investing activities		
Assets limited to use	(13,300)	15,715
Purchase of investments	(148,768)	(383,281)
Proceeds from sale of investments	546,754	363,754
Purchase of fixed assets	(54,744)	(332,866)
Net cash provided by (used in) investing activities	329,942	(336,678)
Cash flows from financing activities		
Proceeds from line of credit	75,000	75,000
Proceeds from loan payable	-	250,500
Principal payments of loan payable	(45,450)	(25,955)
Net cash provided by financing activities	29,550	299,545
Net increase (decrease) in cash and cash equivalents	196,578	(448,908)
Cash and cash equivalents, beginning of year	434,383	883,291
Cash and cash equivalents, end of year	\$ 630,961	\$ 434,383
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 33,115	\$ 21,715

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

Center for Hearing and Communication

Notes to Financial Statements

June 30, 2024 (with comparative totals for 2023)

1. Description of Organization

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

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

2. Summary of Significant Accounting Policies

Financial Statement Presentation

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

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

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

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

Cash and Cash Equivalents

CHC considers all highly liquid financial instruments with maturity dates of three months or less from the date purchased to be cash equivalents, excluding assets whose use is restricted by donors. As of June 30, 2024, 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, 2024 was approximately \$413,000. Management believes that credit risk related to these accounts is minimal based on the historical credit worthiness of this financial institution.

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Investments

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

Fair Value Measurements

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

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

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

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

Credit Losses

Credit losses are accounted for in accordance with ASU No. 2016-13, Financial Instruments-Credit losses (“ASC Topic 326”). ASC Topic 326 requires a financial asset (or group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from amortized cost of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The measurement of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Previously, when credit losses were measured, CHC generally only considered past events and current conditions in measuring the incurred loss. CHC adopted ASC Topic 326 effective July 1, 2023 using the modified retrospective method. The adoption of ASC Topic 326 did not have a material effect on CHC’s financial statements. The allowance for credit losses at June 30, 2024 and 2023 was \$27,724 and \$40,766, respectively.

Promises to Give

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

Listening Device Inventory

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

Contract Liabilities

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

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Fixed Assets

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

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

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

Impairment of Long-Lived Assets

CHC follows the provisions of ASC 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets", which requires CHC to review long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ended June 30, 2024 and 2023 there have been no such losses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Patient Service Revenue, Including Third-Party Reimbursement

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

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

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

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

Grants

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

Reclassifications

Certain balances have been reclassified for the prior year to conform with current period presentation. These reclassifications had no effect on the change in net assets.

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Contract Balances

The following table provides information about CHC's receivables and contract liabilities from contracts with customers:

	2024	2023
Accounts receivable, beginning of year	\$ 249,740	\$ 144,455
Accounts receivable, end of year	281,253	249,740
Contract liabilities, beginning of year	123,430	-
Contract liabilities, end of year	141,108	123,430

Revenue from Contracts with Special Event Attendees

Special Events Revenue

Revenue from special events is reported at the amount that reflects the consideration to which CHC expects to be entitled in exchange for the direct cost of the benefits received by the participant at the event.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by CHC. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to donors at a single point in time and CHC does not believe it is required to provide additional goods or services related to that sale.

Transaction Price

CHC determines the transaction price based on standard charges for goods and services provided. For the years ended June 30, 2024 and 2023, CHC recognized revenue \$56,679 and \$41,723 from goods and services that transfer to the attendee at a point in time

Income Taxes

CHC was incorporated in the State of New York and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, CHC has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2024 and 2023. CHC is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2019.

Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Accordingly, such information should be read in conjunction with CHC's financial statements for the year ended June 30, 2023 from which summarized information was derived.

Functional Allocation of Expenses

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

Endowment Funds

The CHC's endowment fund consists of investments that are with and without donor restrictions. Donor restricted endowments are classified as net assets with donor restrictions and board designated endowments are classified as net assets without donor restrictions. CHC follows the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

Center for Hearing and Communication

NYPMIFA governs 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 net assets with donor restrictions (a) the original value of the gifts donated to the permanent fund, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment income earned on the accumulations to the endowment funds with donor restrictions is classified based on donor stipulations as either without donor restrictions or with donor restrictions until the donor-imposed restrictions have been met.

Investment and Spending Policies

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

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

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

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Changes in endowment portfolio net assets for the year ended June 30, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - July 1, 2022	\$ 1,304,897	\$ 2,198,145	\$ 3,503,042
Investment income, net	11,240	215,106	226,346
Appropriations	-	-	-
Transfers from board designated endowment	(605,451)	-	(605,451)
Endowment net assets - June 30, 2023	\$ 710,686	\$ 2,413,251	\$ 3,123,937
Investment income, net	19,254	300,912	320,166
Appropriations	-	-	-
Transfers from board designated endowment	(413,933)	-	(413,933)
Balance, June 30, 2024	\$ 316,007	\$ 2,714,163	\$ 3,030,170

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires CHC to retain as a fund of perpetual duration.

As of June 30, 2024 and 2023, the fair value of net assets with donor restrictions invested as endowment was \$2,714,163 and \$2,413,251, respectively, while the historical value of the same is \$3,272,185. The difference between the two at June 30, 2024 and 2023, respectively, was \$558,022 and \$858,932, which represents the underwater portion of the endowment and is classified as part of net assets with donor restrictions.

Liquidity and Availability

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

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 630,961	\$ 434,383
Investments, at fair value	3,438,955	3,667,243
Accounts receivable less insurance adjustment and allowance for doubtful accounts	281,253	249,740
Contributions receivable, net	680,260	422,182
Grants receivable	225,599	230,094
Financial assets available at year-end	5,257,028	5,003,642
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose or time restrictions	(4,089,464)	(3,506,498)
Total financial assets available to management for general expenditures within one year	\$ 1,167,564	\$ 1,497,144

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

Leases

The Company follows the provisions of ASU 2016-02, Leases (Topic 842), and elected the following package of practical expedients: 1) not to allocate consideration between lease and non-lease components, and 2) not to record leases with a term of 12 months or less.

3. Financial Instruments and Fair Value

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

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

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Mutual funds:				
International funds	\$ 1,190,033	\$ 1,120,201	\$ 1,211,987	\$ 1,193,656
Stock funds	880,646	306,194	944,608	388,911
Bond funds	1,327,849	1,520,237	1,322,009	1,510,107
Money market funds	40,427	40,427	188,639	188,639
	<u>\$ 3,438,955</u>	<u>\$ 2,987,059</u>	<u>\$ 3,667,243</u>	<u>\$ 3,281,313</u>

Below sets forth the table of assets measured at fair value as of June 30, 2024:

	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, 2024
Mutual funds:				
International funds	\$ 1,190,033	\$ -	\$ -	\$ 1,190,033
Stock funds	880,646	-	-	880,646
Bond funds	1,327,849	-	-	1,327,849
Money market funds	40,427	-	-	40,427
Beneficial interest in trust	-	-	755,708	755,708
	<u>\$ 3,438,955</u>	<u>\$ -</u>	<u>\$ 755,708</u>	<u>\$ 4,194,663</u>

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

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

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

June 30, 2024	Financial	Fair Value	Valuation	Unobservable Inputs	Ranges (Weighted Average)
	Beneficial Interest in Trust	\$ 755,708	Discounted	Actuarial life	6.42 years
				Discount rate	5.13%
June 30, 2023	Financial	Fair Value	Valuation	Unobservable Inputs	Ranges (Weighted Average)
	Beneficial Interest in Trust	\$ 716,183	Discounted	Actuarial life	6.42 years
				Discount rate	6.85%

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:

	2024	2023
	Beneficial Interest in Trusts	Beneficial Interest in Trusts
Beginning balance at July 1	\$ 716,183	\$ 609,716
Unrealized appreciation	39,525	106,467
Ending balance at June 30	<u>\$ 755,708</u>	<u>\$ 716,183</u>

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

	2024	2023
Realized gains	\$ 153,854	\$ 48,842
Unrealized gain	65,966	105,768
Interest and dividends	130,346	101,736
Less: investment management fees	(30,000)	(30,000)
	<u>\$ 320,166</u>	<u>\$ 226,346</u>

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4. Beneficial Interest in Trusts

CHC was named as a beneficiary in a Charitable Remainder Unitrust (the "Trust"). CHC is not the trustee of the Trust nor is it able to exercise control over assets contributed to the Trust. Under the Trust agreement, life beneficiaries will receive 5% of the fair value of the Trust assets, which consist of publicly available securities, each year for the remainder of their lives. CHC will receive 25% of the remaining assets after the last beneficiary has expired (the "life tenant"). As of June 30, 2024 and 2023, the fair value of net assets held in the Trust amounted to \$3,597,463 and \$3,358,278, respectively.

The present value of the future cash flows is expected to be paid to the life tenants over their estimated lives. In each taxable year of the Trust, the trustee of the Trust shall pay to life tenants a Unitrust amount equal to 5% of the fair value of the assets of the Trust valued as of the first day of each taxable year of the Trust (the "valuation date"). Thus, as the fair value of the Trust fluctuates, so do the annuities payable to the life tenants. As of June 30, 2024 and 2023, the present value of future payments due to the life tenants amounted to \$3,022,834 and \$2,864,728, respectively.

Since CHC is not the trustee of the Trust nor is it able to exercise control over the assets, CHC has recorded the expected amount due from the Trusts as "Beneficial interest in trusts" on the statement of financial position which was \$ 755,709 and \$716,183 as of June 30, 2024 and 2023, respectively.

5. Contributions Receivable, Net

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

The following represents future payments due as of June 30:

	2024	2023
Amounts due:		
Within one year	\$ 412,125	\$ 370,945
Within two to five years	281,884	54,925
Less: present value discount	(13,749)	(3,688)
Net present value of contributions receivable	<u>\$ 680,260</u>	<u>\$ 422,182</u>

For the years ended June 30, 2024 and 2023, the net present value blended discount rate was 4.00% and 3.00% respectively.

6. Fixed Assets, Net

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

	2024	2023
Leasehold improvements	\$ 1,006,654	\$ 1,006,654
Scientific equipment	854,976	805,098
Furniture, fixture and equipment	322,165	317,299
Mobile units	486,302	486,302
Total fixed assets	2,670,097	2,615,353
Less: accumulated depreciation and amortization	(2,266,496)	(2,193,762)
Fixed assets, net	<u>\$ 403,601</u>	<u>\$ 421,591</u>

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7. Line of Credit

In February 2021, CHC entered into a \$200,000 line of credit with a financial institution that was to expire in February 2024. During the year, the line of credit was renewed and now terminates on February 25, 2025. Interest payments on all unpaid principal are due on a monthly basis. Interest is charged at the bank's prime rate (8.50% at June 30, 2024) plus .25%. The line of credit is collateralized by all business assets of CHC. Outstanding borrowings under the line at June 30, 2024 and 2023 amounted to \$150,000 and \$75,000, respectively.

8. Loans Payable

On November 1, 2022, CHC entered into a loan agreement with a financial institution for a total amount of \$250,500. The loan requires monthly payments of \$4,912, which includes interest, based on an amortization of a 5-year loan at a fixed annual interest rate of 6.59%, until its maturity on November 1, 2027. The loan is collateralized by all business assets of CHC. For the years ended June 30, 2024 and 2023, the loan payable outstanding was \$179,885 and \$225,335. Principal repayments of the loan balance are due as follows:

Year Ending June 30,	
2025	\$ 48,536
2026	51,833
2027	55,354
2028	24,036
	<u>\$ 179,759</u>

9. Net Assets With Donor Restrictions

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

	2024	2023
Donor restricted endowments subject to CHC's spending policy and appropriation:		
General Support	\$ 1,699,657	\$ 1,699,657
Various Program Purposes	1,572,528	1,572,528
Total donor restricted endowments subject to CHC's spending policy and appropriation	<u>3,272,185</u>	<u>3,272,185</u>
Subject to expenditure for specified purpose or time:		
Donor Imposed Time Restrictions	755,709	716,183
Audiology and BHT Services	591,400	530,793
Children and Adult Communication Services	256,400	368,500
Center for Hearing and Aging	350,000	-
Investment Income	(558,022)	(858,934)
Communication Outreach	25,000	29,500
Teleintervention	132,500	124,454
IT Infrastructure	20,000	40,000
Total subject to expenditure for specified purpose or time	<u>1,572,987</u>	<u>950,496</u>
Total net assets with donor restrictions	<u>\$ 4,845,172</u>	<u>\$ 4,222,681</u>

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

	2024	2023
Center for Hearing and Aging	\$ 15,000	\$ 202,500
Children and Adult Communication Services	254,600	276,400
Education	66,954	10,926
IT Infrastructure	20,000	15,000
Communication Outreach	44,500	57,500
Audiology and BHTC Services	398,843	432,377
Teleintervention	115,000	109,000
	<u>\$ 914,897</u>	<u>\$ 1,103,703</u>

10. Leases

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

Supplemental information as of June 30:	2024	2023
Weighted average remaining lease term	10.17 years	11.13 years
Weighted average discount rate (risk-free rate)	3.10%	3.10%

The maturities of lease liabilities as of June 30, 2024 are as follows:

2024	\$ -	\$ 795,845
2025	811,033	811,033
2026	854,594	854,594
2027	898,957	898,957
2028	916,067	916,067
2029	933,521	933,521
Thereafter	<u>4,989,847</u>	<u>4,989,847</u>
Total lease payments	9,404,019	10,199,864
Less: interest	<u>(1,413,129)</u>	<u>(1,670,235)</u>
Total lease liability	<u>\$ 7,990,890</u>	<u>\$ 8,529,629</u>

Occupancy expense for the years ended June 30, 2024 and 2023 was \$944,820 and \$936,878, respectively.

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

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11. Retirement Plans

CHC sponsors two retirement plans: a 401(a) profit-sharing plan and a 403(b) plan. The 401(a) profit-sharing plan and 403(b) plan are available to all employees who have completed 1,000 hours of service in one year and have attained the age of 21. For the years ended June 30, 2024 and 2023, \$- and \$65,537 of employer contributions were made, respectively. The 403(b) plan is available for employee contributions only.

12. Subsequent Events

CHC has evaluated subsequent events through November 14, 2024, the date the financial statements were available for issuance.

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Broward County Supplemental Information

	Funding Source	Grant Number	Total Grant	Grant Receivable June 30, 2023	Grant Revenues	Grant Expenditures	Reimbursable Grant Expenditures	Cash Received	Grant Receivable June 30, 2024
Broward County	Behavioral Health Counseling Children	22-CP-CSA-7660-01	\$ 105,595	\$ 2,855	\$ 12,453	\$ 12,453	\$ 12,453	\$ 12,453	\$ -
	Behavioral Health Counseling Children	22-CP-CSA-7660-01	65,595	-	34,710	34,710	34,710	31,324	8,613
	Health Literacy	22-CP-HCS-7660-HL-01	90,600	9,255	-	-	-	9,255	-
	Mental Health Counseling Adult	20-CP-HCS-8231-01	225,773	17,215	56,760	56,760	56,760	56,760	-
	Mental Health Counseling Adult	20-CP-HCS-8231-01	200,000	-	113,286	113,286	113,286	105,690	7,597
				<u>\$ 26,470</u>	<u>\$ 217,209</u>	<u>\$ 217,209</u>	<u>\$ 217,209</u>	<u>\$ 215,482</u>	<u>\$ 16,210</u>