

FINANCIAL STATEMENTS



FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Foundation for Hearing Research, Inc. d.b.a Weingarten Children's Center
Redwood City, California

We have audited the accompanying financial statements of the Foundation for Hearing Research, Inc. d.b.a Weingarten Children's Center (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

November 16, 2021

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 513,794	\$ 898,148
Investments	2,106,792	1,014,580
Accounts receivable, net of allowance for doubtful accounts of \$975 and \$25,273, respectively	462,725	260,975
Grants and contributions receivable	202,500	262,150
Prepaid expenses and deposits	<u>13,433</u>	<u>14,192</u>
Total current assets	<u>3,299,244</u>	<u>2,450,045</u>
PROPERTY AND EQUIPMENT		
Land	790,159	790,159
Buildings and improvements	2,761,069	2,761,069
Furniture and equipment	<u>338,832</u>	<u>338,832</u>
	3,890,060	3,890,060
Less: Accumulated depreciation and amortization	<u>(1,909,029)</u>	<u>(1,823,198)</u>
Net property and equipment	<u>1,981,031</u>	<u>2,066,862</u>
NONCURRENT ASSETS		
Beneficial interest in assets held by others	14,098	10,935
Grants and contributions receivable, net of current portion	<u>400,000</u>	<u>-</u>
Total noncurrent assets	<u>414,098</u>	<u>10,935</u>
TOTAL ASSETS	<u>\$ 5,694,373</u>	<u>\$ 4,527,842</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable from Paycheck Protection Program	\$ -	\$ 70,648
Accounts payable and accrued expenses	39,597	49,775
Note payable	<u>36,669</u>	<u>23,065</u>
Total current liabilities	<u>76,266</u>	<u>143,488</u>
NONCURRENT LIABILITIES		
Loan payable from Paycheck Protection Program, net of current portion	-	260,528
Note payable, net of current portion	<u>663,362</u>	<u>698,443</u>
Total noncurrent liabilities	<u>663,362</u>	<u>958,971</u>
Total liabilities	<u>739,628</u>	<u>1,102,459</u>
NET ASSETS		
Without donor restrictions	3,719,910	2,931,202
With donor restrictions	<u>1,234,835</u>	<u>494,181</u>
Total net assets	<u>4,954,745</u>	<u>3,425,383</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,694,373</u>	<u>\$ 4,527,842</u>

See accompanying notes to financial statements.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contract and service fees:				
Contract and service fees	\$ 1,687,131	\$ -	\$ 1,687,131	\$ 1,915,365
Financial assistance	<u>(12,530)</u>	<u>-</u>	<u>(12,530)</u>	<u>(81,328)</u>
Contract and service fees, net	1,674,601	-	1,674,601	1,834,037
Events	292,158	-	292,158	356,870
Grants and contributions	369,203	1,231,521	1,600,724	879,517
Investment income, net	367,478	30,335	397,813	27,341
Other revenue	1,028	-	1,028	-
Net assets released from donor restrictions	<u>521,202</u>	<u>(521,202)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,225,670</u>	<u>740,654</u>	<u>3,966,324</u>	<u>3,097,765</u>
EXPENSES				
Program Services:				
Deaf Education	<u>2,380,352</u>	<u>-</u>	<u>2,380,352</u>	<u>2,149,293</u>
Supporting Services:				
General and Administrative	153,337	-	153,337	197,339
Fundraising	<u>234,449</u>	<u>-</u>	<u>234,449</u>	<u>298,931</u>
Total supporting services	<u>387,786</u>	<u>-</u>	<u>387,786</u>	<u>496,270</u>
Total expenses	<u>2,768,138</u>	<u>-</u>	<u>2,768,138</u>	<u>2,645,563</u>
Change in net assets before other item	457,532	740,654	1,198,186	452,202
OTHER ITEM				
Forgiveness of debt	<u>331,176</u>	<u>-</u>	<u>331,176</u>	<u>-</u>
Change in net assets after other item	788,708	740,654	1,529,362	452,202
Net assets at beginning of year	<u>2,931,202</u>	<u>494,181</u>	<u>3,425,383</u>	<u>2,973,181</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,719,910</u>	<u>\$ 1,234,835</u>	<u>\$ 4,954,745</u>	<u>\$ 3,425,383</u>

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021				2020	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Deaf Education	General and Administrative	Fundraising	Total Supporting Services		
Salaries	\$ 1,658,880	\$ 59,556	\$ 93,204	\$ 152,760	\$ 1,811,640	\$ 1,727,632
Employee benefits	136,336	8,544	10,063	18,607	154,943	118,821
Payroll taxes	129,711	4,248	6,264	10,512	140,223	131,554
Professional and contract services	86,533	22,198	18,319	40,517	127,050	151,628
Depreciation and amortization	76,390	6,866	2,575	9,441	85,831	91,334
Event expenses	-	-	85,309	85,309	85,309	61,895
Office and supplies	68,579	5,323	3,854	9,177	77,756	70,401
Repairs and maintenance	53,770	6,864	3,270	10,134	63,904	97,382
Telecommunications and utilities	43,755	8,389	6,041	14,430	58,185	49,759
Class and program expenses	50,962	871	341	1,212	52,174	13,572
Interest	28,657	1,805	2,206	4,011	32,668	31,580
Legal and accounting	-	25,916	-	25,916	25,916	10,000
Insurance	20,946	2,028	1,299	3,327	24,273	22,390
Bad debt expense	18,482	-	-	-	18,482	24,294
Advertising	6,820	55	1,704	1,759	8,579	24,806
Travel and mileage	60	674	-	674	734	3,437
Professional development	471	-	-	-	471	6,630
Board expense and development	-	-	-	-	-	8,448
TOTAL	\$ 2,380,352	\$ 153,337	\$ 234,449	\$ 387,786	\$ 2,768,138	\$ 2,645,563

See accompanying notes to financial statements.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,529,362	\$ 452,202
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	85,831	91,045
Unrealized (gain) loss	(291,425)	8,010
Realized gain	-	(20,801)
Receipt of donated securities	(153,567)	-
Proceeds from donated securities	152,896	-
Amortization of loan fees	-	289
Change in allowance for bad debt	(24,298)	25,273
Change in beneficial interest	(3,163)	78
Forgiveness of debt	(331,176)	-
(Increase) decrease in:		
Accounts receivable, net	(177,452)	(10,838)
Grants and contributions receivable	(340,350)	(10,248)
Prepaid expenses and deposits	759	(611)
Decrease in:		
Accounts payable and accrued expenses	<u>(10,178)</u>	<u>(35,021)</u>
Net cash provided by operating activities	<u>437,239</u>	<u>499,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	-	(38,191)
Purchase of investments	(800,116)	(1,075,681)
Proceeds from sale of investments	<u>-</u>	<u>174,511</u>
Net cash used by investing activities	<u>(800,116)</u>	<u>(939,361)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(748,874)	(20,239)
Proceeds from note payable	<u>727,397</u>	<u>331,176</u>
Net cash (used) provided by financing activities	<u>(21,477)</u>	<u>310,937</u>
Net decrease in cash and cash equivalents	(384,354)	(129,046)
Cash and cash equivalents at beginning of year	<u>898,148</u>	<u>1,027,194</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 513,794</u>	<u>\$ 898,148</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 32,668</u>	<u>\$ 31,580</u>

See accompanying notes to financial statements.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Foundation for Hearing Research, Inc. d.b.a Weingarten Children's Center (the Foundation) is a non-profit organization, incorporated in the State of California. The Foundation was organized as a nonprofit organization under the laws of California on March 13, 1970. The Foundation was formed for the advancement of education and for charitable purposes, specifically for education of the deaf and research essential thereto. In the fulfillment of its purpose, the Foundation operates the Weingarten Children's Center.

The Foundation is dedicated to meeting the education and developmental needs of children who are deaf or hard of hearing and their families through comprehensive and individualized programs that develop listening and spoken language communication skills. The goal of the Foundation is to prepare each child to return to his or her local school with academic and communication skills that will allow them to function at grade level with their peers as early as possible. The Foundation's curriculum emphasizes the development of speech and language through a cognitive approach to learning with a focus on literacy at all levels. The services include the Parent Infant Program, Parent Toddlers Program, Toddlers Program, Preschool Program, Pre-Kindergarten Program, Individual Therapy, Audiological Services, Kindergarten Program, and Parent Educational Program and Counseling.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Foundation's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; 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 the Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

New accounting pronouncement adopted -

During 2021, the Foundation adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

New accounting pronouncement adopted (continued) -

The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Foundation recognized revenue; however, the presentation and disclosures of revenue have been enhanced.

The Foundation has elected to opt out of all (or certain) disclosures not required for non-public entities and also elected a modified retrospective approach for implementation.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less, except for money market funds held with investment institutions, to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Accounts, grants and contributions receivable, net -

Accounts, grants and contributions receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Property and equipment -

Property and equipment in excess of \$2,500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets as outlined below. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2021 totaled \$85,831.

Buildings and improvements	15 to 39 years
Furniture and equipment	3 to 15 years

Beneficial interest in assets held by others -

The beneficial interest in assets held by others consists of amounts held by the Silicon Valley Community Foundation (SVCF) under an agency account agreement. SVCF manages the assets and periodically distributes earnings and appreciation on the corpus to the Foundation. The beneficial interest is reported at the fair market value of the fund as determined by SVCF. Investment income of the fund, net of expenses, and any net realized and unrealized gains and losses, are included in investment income, net, in the Statement of Activities and Change in Net Assets.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2021, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Contract and service fees -

Revenue from contract and service fees for tuition meets certain exemptions as defined in Topic 606 regarding the right to invoice practical expedient. This revenue relates to fees which the Foundation expects to be entitled in exchange for providing instruction and therapy and are amounts due from enrollees, third-party payers, and others and includes variable consideration for price concessions to students. The Foundation's school term runs from late-August to mid-June, with a three-week extended school year offered in July, the potential remaining duration of the contract. Fees are based on daily or weekly rates, depending on services performed and are invoiced monthly after services have been performed.

Events -

The Foundation receives sponsorships for its annual golf tournaments. The Foundation performs an analysis of the individual sponsorship to determine if the sponsorship revenue follows the contribution rules or if they should be recorded as an exchange transaction or should be appropriately bifurcated between amounts deemed reciprocal or nonreciprocal. For amounts qualifying under the contribution rules, revenue is recognized upon execution of the sponsorship agreement and included in net assets with donor restrictions. The release occurs when the related event occurs. Amounts classified as exchange transactions follow ASU 2014-09, Revenue from Contracts With Customers and the Foundation records revenue when the performance obligations are met which is when the related event occurs.

Grants and contributions -

Contributions and grants are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Grants and contributions (continued) -

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants or contributions qualifying as conditional contributions contain a right of return from obligation provision that limits the Foundation on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. The Foundation recognizes revenue for these conditional contributions when the related barrier has been overcome. Funds received in advance of the satisfaction of conditions are recorded as refundable advances. For contributions and grants treated as conditional contributions, Foundation had approximately \$200,000 in unrecognized awards as of June 30, 2021.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

The Foundation expenses advertising costs as incurred. Advertising expense was \$8,579 for the year ended June 30, 2021.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Fair value measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Foundation's operations. The overall potential impact is unknown at this time.

2. **INVESTMENTS**

Investments consisted of the following as of June 30, 2021:

	<u>Fair Value</u>
Money market	\$ 103,703
Mutual Funds - Equity	<u>2,003,089</u>
	<u>\$ 2,106,792</u>

Included in investment income, net are the following:

Interest and dividends	\$ 106,764
Unrealized gain	291,425
Investment fees	<u>(376)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 397,813</u>

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

2. INVESTMENTS (Continued)

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money market funds* - The money market fund is an open-end funds that is registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Foundation are deemed to be actively traded.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2021 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market	\$ 103,703	\$ -	\$ -	\$ 103,703
Mutual Funds - Equity	<u>2,003,089</u>	<u>-</u>	<u>-</u>	<u>2,003,089</u>
TOTAL INVESTMENTS	<u>\$ 2,106,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,106,792</u>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2021, contributors to the Foundation have made unconditional written promises to give, of which \$602,500 remained due and outstanding.

Following is a schedule of amounts due, by year, as of June 30, 2021:

Less than one year	\$ 202,500
One to five years	<u>400,000</u>
NET RECEIVABLES	<u>\$ 602,500</u>

4. FORGIVENESS OF DEBT

On May 6, 2020, the Foundation received loan proceeds in the amount of \$330,900 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration (SBA). During the year ended June 30, 2021, the Foundation expended and tracked the PPP funds for purposes outlined in the CARES Act guidance.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. **FORGIVENESS OF DEBT (Continued)**

On November 2, 2020, the Foundation received forgiveness in full from the SBA on the PPP loan, including accrued interest for a total of \$331,176. Revenue from extinguishment of debt is included as an other item in the accompanying Statement of Activities and Change in Net Assets.

5. **NOTE PAYABLE**

In October 2009, the Foundation entered into a \$900,000 note payable to a financial institution, which was fully collateralized by the real property of the Foundation. The terms of the note required monthly payments of \$4,686, which included principal and interest at an interest rate of 4.6% annually. The loan was due in full in October 2019, at which point the Foundation refinanced the note at a rate of 4.6% annually and monthly payments remaining at \$4,686 with a balloon payment due in full at the termination of the note in October 2021. During December 2020, the Foundation refinanced the note again at a rate of 3.89% interest annually with monthly principal and interest payments of \$5,271. The maturity date of the refinanced note is December 25, 2035.

Principal payments are due as follows as of June 30, 2021:

Year Ending June 30,

2022	\$	36,669
2023		38,122
2024		39,631
2025		41,202
2026		42,831
2027 and Thereafter		<u>501,576</u>
	\$	<u>700,031</u>

For the year ended June 30, 2021 interest expense was \$32,668.

6. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2021:

Subject to expenditure for specified purpose:		
BabyTalk program	\$	936,743
Tuition assistance		64,486
Talk2Me™ & BabyTalk programs		<u>100,000</u>
		<u>1,101,229</u>
Endowment to be invested in perpetuity		100,000
Accumulated investment earnings from endowment not yet authorized for spending		<u>33,606</u>
		<u>133,606</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$	<u>1,234,835</u>

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS
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6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
BabyTalk program	\$ 477,112
Tuition assistance	34,000
Building improvements	7,500
Consulting	<u>2,590</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 521,202</u>

7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 513,794
Investments	2,106,792
Accounts receivable, net	462,725
Grants and contributions receivable	<u>202,500</u>
Subtotal financial assets available within one year	3,285,811
Less: Donor restricted funds	<u>(834,835)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 2,450,976</u>

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due.

8. RETIREMENT PLAN

A pension plan, organized under Section 403(b) of the Internal Revenue Code, is provided for all employees of the Foundation over twenty-one years of age and working more than 1,000 hours annually. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation made no contributions to the plan during the year ended June 30, 2021.

9. CONCENTRATIONS

Approximately 56% and 15% of the Foundation's grants and contributions receivable and grants and contributions revenue as of June 30, 2021, respectively, was derived from one donor. The Foundation has no reason to believe that relationship with this donor will be discontinued in the foreseeable future.

10. ENDOWMENT

The Foundation's endowment consists of donor-restricted endowment funds and funds designated by the governing Board to function as endowments.

FOUNDATION FOR HEARING RESEARCH, INC. D.B.A WEINGARTEN CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

10. ENDOWMENT (Continued)

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
Accumulated investment earnings not yet authorized for spending	<u>-</u>	<u>33,606</u>	<u>33,606</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 133,606</u>	<u>\$ 133,606</u>

Changes in endowment net assets for the year ended June 30, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 103,271	\$ 103,271
Investment return, net	<u>-</u>	<u>30,335</u>	<u>30,335</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 133,606</u>	<u>\$ 133,606</u>

NOTES TO FINANCIAL STATEMENTS
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10. ENDOWMENT (Continued)

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. The Foundation had no funds with such deficiencies as of June 30, 2021.

Return Objectives and Risk Parameters -

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation has made no distributions from the endowment as of June 30, 2021 and is considering spending policies to implement in future fiscal year.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 16, 2021, the date the financial statements were issued.