

FINANCIAL STATEMENTS

Foundation for
Hearing Research

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

**FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Foundation'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 the Foundation'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

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



March 23, 2023

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

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	638,469	\$ 513,794
Investments		6,730,791	2,106,792
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$975, respectively		409,861	462,725
Grants and contributions receivable		200,000	202,500
Prepaid expenses and deposits		<u>26,615</u>	<u>13,433</u>
Total current assets		<u>8,005,736</u>	<u>3,299,244</u>
PROPERTY AND EQUIPMENT			
Land		790,159	790,159
Buildings and improvements		2,762,693	2,761,069
Furniture and equipment		<u>54,482</u>	<u>338,832</u>
		3,607,334	3,890,060
Less: Accumulated depreciation and amortization		<u>(1,687,530)</u>	<u>(1,909,029)</u>
Net property and equipment		<u>1,919,804</u>	<u>1,981,031</u>
NONCURRENT ASSETS			
Beneficial interest in assets held by others		12,281	14,098
Grants and contributions receivable, net of current portion		<u>200,000</u>	<u>400,000</u>
Total noncurrent assets		<u>212,281</u>	<u>414,098</u>
TOTAL ASSETS	\$	<u>10,137,821</u>	\$ <u>5,694,373</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	39,737	\$ 39,597
Deferred revenue		13,440	-
Note payable		<u>38,122</u>	<u>36,669</u>
Total current liabilities		91,299	76,266
NONCURRENT LIABILITIES			
Note payable, net of current portion		<u>625,225</u>	<u>663,362</u>
Total liabilities		<u>716,524</u>	<u>739,628</u>
NET ASSETS			
Without donor restrictions		3,476,919	3,719,910
With donor restrictions		<u>5,944,378</u>	<u>1,234,835</u>
Total net assets		<u>9,421,297</u>	<u>4,954,745</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>10,137,821</u>	\$ <u>5,694,373</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, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contract and service fees:				
Contract and service fees	\$ 1,913,228	\$ -	\$ 1,913,228	\$ 1,687,131
Financial assistance	<u>(92,490)</u>	<u>-</u>	<u>(92,490)</u>	<u>(12,530)</u>
Contract and service fees, net	1,820,738	-	1,820,738	1,674,601
Events	275,909	-	275,909	292,158
Grants and contributions	363,939	5,305,105	5,669,044	1,600,724
Government grants	24,678	-	24,678	-
Investment (loss) income, net	(326,479)	(19,079)	(345,558)	397,813
Other revenue	33,527	-	33,527	1,028
Net assets released from donor restrictions	<u>576,483</u>	<u>(576,483)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,768,795</u>	<u>4,709,543</u>	<u>7,478,338</u>	<u>3,966,324</u>
EXPENSES				
Program Services:				
Deaf Education	<u>2,524,598</u>	<u>-</u>	<u>2,524,598</u>	<u>2,380,352</u>
Supporting Services:				
General and Administrative	168,451	-	168,451	153,337
Fundraising	<u>318,737</u>	<u>-</u>	<u>318,737</u>	<u>234,449</u>
Total supporting services	<u>487,188</u>	<u>-</u>	<u>487,188</u>	<u>387,786</u>
Total expenses	<u>3,011,786</u>	<u>-</u>	<u>3,011,786</u>	<u>2,768,138</u>
Change in net assets before other item	(242,991)	4,709,543	4,466,552	1,198,186
OTHER ITEM				
Forgiveness of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,176</u>
Change in net assets after other item	(242,991)	4,709,543	4,466,552	1,529,362
Net assets at beginning of year	<u>3,719,910</u>	<u>1,234,835</u>	<u>4,954,745</u>	<u>3,425,383</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,476,919</u>	<u>\$ 5,944,378</u>	<u>\$ 9,421,297</u>	<u>\$ 4,954,745</u>

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022				2021	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Deaf Education	General and Administrative	Fundraising	Total Supporting Services		
Salaries	\$ 1,685,450	\$ 81,516	\$ 152,138	\$ 233,654	\$ 1,919,104	\$ 1,811,640
Payroll taxes	129,800	5,220	9,636	14,856	144,656	140,223
Professional and contract services	179,641	17,038	3,107	20,145	199,786	127,050
Employee benefits	118,382	7,355	9,063	16,418	134,800	154,943
Event expenses	-	-	120,823	120,823	120,823	85,309
Depreciation and amortization	77,391	6,957	2,609	9,566	86,957	85,831
Telecommunications and utilities	54,888	12,188	9,994	22,182	77,070	58,185
Repairs and maintenance	65,882	5,770	2,494	8,264	74,146	63,904
Office and supplies	56,632	4,682	1,802	6,484	63,116	77,756
Class and program expenses	45,822	217	193	410	46,232	52,174
Insurance	28,864	3,624	2,962	6,586	35,450	24,273
Interest	23,651	2,126	797	2,923	26,574	32,668
Advertising	21,145	696	-	696	21,841	8,579
Legal and accounting	4,631	18,361	-	18,361	22,992	25,916
Bad debt expense	16,607	-	-	-	16,607	18,482
Recruiting fees	7,932	604	1,379	1,983	9,915	-
Professional development	7,017	-	-	-	7,017	471
Board expense	-	1,814	1,725	3,539	3,539	-
Travel and mileage	863	283	15	298	1,161	734
TOTAL	\$ 2,524,598	\$ 168,451	\$ 318,737	\$ 487,188	\$ 3,011,786	\$ 2,768,138

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, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,466,552	\$ 1,529,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	86,957	85,831
Unrealized loss (gain)	477,967	(291,425)
Receipt of donated securities	(68,033)	(153,567)
Proceeds from donated securities	70,225	152,896
Contributions to be invested in perpetuity	(5,000,000)	-
Change in allowance for bad debt	(975)	(24,298)
Change in beneficial interest	1,817	(3,163)
Forgiveness of debt	-	(331,176)
Decrease (increase) in:		
Accounts receivable, net	53,839	(177,452)
Grants and contributions receivable	202,500	(340,350)
Prepaid expenses and deposits	(13,182)	759
Increase (decrease) in:		
Accounts payable and accrued expenses	140	(10,178)
Deferred revenue	<u>13,440</u>	<u>-</u>
Net cash provided by operating activities	<u>291,247</u>	<u>437,239</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(25,730)	-
Purchase of investments	<u>(5,104,158)</u>	<u>(800,116)</u>
Net cash used by investing activities	<u>(5,129,888)</u>	<u>(800,116)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to be invested in perpetuity	5,000,000	-
Principal payments on notes payable	(36,684)	(748,874)
Proceeds from note payable	<u>-</u>	<u>727,397</u>
Net cash provided (used) by financing activities	<u>4,963,316</u>	<u>(21,477)</u>
Net increase (decrease) in cash and cash equivalents	124,675	(384,354)
Cash and cash equivalents at beginning of year	<u>513,794</u>	<u>898,148</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 638,469</u>	<u>\$ 513,794</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 26,574</u>	<u>\$ 32,668</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, 2022

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, Parent Educational Program and Counseling, BabyTalk Teleintervention Program, and TeachLSL™ Distance Listening and Spoken Language Program.

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, 2021, from which the summarized information was derived.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Cash and cash equivalents (continued) -

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 (loss) 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, 2022 totaled \$86,957.

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 (loss) income, net, in the Statement of Activities and Change in Net Assets.

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Uncertain tax positions -

For the year ended June 30, 2022, 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 -

Grants and contributions 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*.

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. Grants and contributions 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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Grants and contributions (continued) -

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, the Foundation had approximately \$113,000 in unrecognized awards as of June 30, 2022.

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 \$21,841 for the year ended June 30, 2022.

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.

Investment 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.

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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

New accounting pronouncements not yet adopted -

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities beginning after December 15, 2021. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326) replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Foundation for the year ending June 30, 2024 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Foundation plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impacts of the new standards on its accompanying financial statements.

2. **INVESTMENTS**

Investments consisted of the following as of June 30, 2022:

	<u>Fair Value</u>
Money market funds	\$ 5,078,309
Mutual funds - equity	<u>1,652,482</u>
TOTAL INVESTMENTS	<u>\$ 6,730,791</u>

Included in investment loss, net are the following:

Interest and dividends	\$ 132,409
Unrealized loss	<u>(477,967)</u>
TOTAL INVESTMENT LOSS, NET	<u>\$ (345,558)</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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

2. INVESTMENTS (Continued)

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.

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, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are 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, 2022 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 5,078,309	\$ -	\$ -	\$ 5,078,309
Mutual funds - equity	<u>1,652,482</u>	<u>-</u>	<u>-</u>	<u>1,652,482</u>
TOTAL INVESTMENTS	<u>\$ 6,730,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,730,791</u>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2022, contributors to the Foundation have made unconditional written promises to give, of which \$400,000 remained due and outstanding.

Following is a schedule of amounts due, by year, as of June 30, 2022:

Less than one year	\$ 200,000
One to five years	<u>200,000</u>
NET RECEIVABLES	<u>\$ 400,000</u>

4. NOTE PAYABLE

In December 2020, the Foundation refinanced a prior note payable at a rate of 3.89% interest annually requiring monthly principal and interest payments of \$5,271. The note is fully collateralized by the real property of the Foundation. The maturity date of the current note is December 25, 2035.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

4. NOTE PAYABLE (Continued)

Principal payments are due as follows as of June 30, 2022:

<u>Year Ending June 30,</u>	
2023	\$ 38,122
2024	39,631
2025	41,202
2026	42,831
2027	44,529
2028 and Thereafter	<u>457,032</u>
	<u>\$ 663,347</u>

For the year ended June 30, 2022 interest expense was \$26,574.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022:

Subject to expenditure for specified purpose:	
BabyTalk program	\$ 752,000
Tuition assistance	64,487
Therapy	<u>13,364</u>
	<u>829,851</u>
Endowment to be invested in perpetuity	5,100,000
Accumulated investment earnings from endowment not yet authorized for spending	<u>14,527</u>
	<u>5,114,527</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>5,944,378</u>

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	\$ 352,870
Talk2Me™ program	125,372
Tuition assistance	70,000
Building improvements	22,500
Laptops	<u>5,741</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>576,483</u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

6. LIQUIDITY AND AVAILABILITY

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. 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	\$ 638,469
Investments	6,730,791
Accounts receivable, net	409,861
Grants and contributions receivable	<u>200,000</u>
Subtotal financial assets available within one year	7,979,121
Less: Donor restricted funds	<u>(5,944,378)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 2,034,743</u>

7. 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, 2022.

8. CONCENTRATIONS

Approximately 100% and 88% of the Foundation's grants and contributions receivable and grants and contributions revenue, respectively, as of June 30, 2022, 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.

9. ENDOWMENT

The Foundation's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds 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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

9. ENDOWMENT (Continued)

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, 2022:

	<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	\$ -	\$ 5,100,000	\$ 5,100,000
Accumulated investment earnings not yet authorized for spending	<u>-</u>	<u>14,527</u>	<u>14,527</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 5,114,527</u>	<u>\$ 5,114,527</u>

Changes in endowment net assets for the year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 133,606	\$ 133,606
Investment loss, net	-	(19,079)	(19,079)
Contributions	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 5,114,527</u>	<u>\$ 5,114,527</u>

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, 2022.

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

9. ENDOWMENT (Continued)

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, 2022. The Foundation has a policy of appropriating for distribution each year 3-6% of its endowment fund's fair value as of the preceding fiscal year in which the distribution is planned, and only at the Board's determination. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 23, 2023, the date the financial statements were issued.