

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
The Hearing and Speech Agency of Metropolitan Baltimore, Inc.
dba: HASA
Baltimore, Maryland

We have audited the accompanying financial statements of The Hearing and Speech Agency of Metropolitan Baltimore, Inc., dba: HASA (HASA), which comprises the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and change in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Board of Directors and Management
The Hearing and Speech Agency of Metropolitan Baltimore, Inc.
dba: HASA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HASA as of June 30, 2020 and 2019, and the changes its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 16, 2020

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 2,025,063	\$ 1,409,838
Investments	560,735	705,821
Accounts Receivable, Net	1,438,401	1,845,112
Contributions Receivable	4,430	31,875
Prepaid Expenses	10,498	17,988
Restricted Cash	69,883	69,883
Intangible Asset	15,300	-
Land, Building, and Equipment, Net	4,475,935	4,694,139
Total Assets	\$ 8,600,245	\$ 8,774,656
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 154,755	\$ 289,025
Accrued Payroll	168,283	152,666
Notes Payable	727,400	-
Other Liabilities	2,500	-
Total Liabilities	1,052,938	441,691
NET ASSETS		
Without Donor Restrictions:		
Available for General Activities	6,763,500	7,483,726
Board-Designated Scholarship Fund	25,000	25,000
Total Net Assets Without Donor Restrictions	6,788,500	7,508,726
With Donor Restrictions:		
Restricted by Donors for Specific Purpose	688,924	734,356
Restricted by Donors for Passage of Time	-	20,000
Restricted by Donor; Interest Only to be Used to Support Audiology	69,883	69,883
Total Net Assets With Donor Restrictions	758,807	824,239
Total Net Assets	7,547,307	8,332,965
Total Liabilities and Net Assets	\$ 8,600,245	\$ 8,774,656

See accompanying Notes to Financial Statements.

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2020 AND 2019**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
REVENUE, GAINS, AND OTHER SUPPORT						
Public Support:						
Contributions	\$ 376,170	\$ -	\$ 376,170	\$ 309,426	\$ 105,400	\$ 414,826
Total Public Support	<u>376,170</u>	<u>-</u>	<u>376,170</u>	<u>309,426</u>	<u>105,400</u>	<u>414,826</u>
Program Service Revenue:						
CIRS	2,477,682	-	2,477,682	2,627,818	-	2,627,818
Clinical	1,002,907	-	1,002,907	1,221,510	-	1,221,510
Gateway School	2,659,980	-	2,659,980	2,553,766	-	2,553,766
Total Program Service Revenue	<u>6,140,569</u>	<u>-</u>	<u>6,140,569</u>	<u>6,403,094</u>	<u>-</u>	<u>6,403,094</u>
Other Revenue:						
Rental Income	9,000	-	9,000	-	-	-
Miscellaneous Income	899	-	899	20,393	-	20,393
Investment Income (Loss)	(125,327)	801	(124,526)	35,835	1,364	37,199
Total Other Revenue	<u>(115,428)</u>	<u>801</u>	<u>(114,627)</u>	<u>56,228</u>	<u>1,364</u>	<u>57,592</u>
Net Assets Released from Restrictions	66,233	(66,233)	-	9,534	(9,534)	-
Total Revenues, Gains, and Other Support	<u>6,467,544</u>	<u>(65,432)</u>	<u>6,402,112</u>	<u>6,778,282</u>	<u>97,230</u>	<u>6,875,512</u>
EXPENSES						
Program Services	6,628,299	-	6,628,299	6,498,238	-	6,498,238
Support Services Expense:						
Management and General	246,851	-	246,851	336,428	-	336,428
Fundraising	312,620	-	312,620	341,451	-	341,451
Total Support Services Expense	<u>559,471</u>	<u>-</u>	<u>559,471</u>	<u>677,879</u>	<u>-</u>	<u>677,879</u>
Total Expenses	<u>7,187,770</u>	<u>-</u>	<u>7,187,770</u>	<u>7,176,117</u>	<u>-</u>	<u>7,176,117</u>
CHANGE IN NET ASSETS	(720,226)	(65,432)	(785,658)	(397,835)	97,230	(300,605)
Net Assets - Beginning of Year	<u>7,508,726</u>	<u>824,239</u>	<u>8,332,965</u>	<u>7,906,561</u>	<u>727,009</u>	<u>8,633,570</u>
NET ASSETS - END OF YEAR	<u>\$ 6,788,500</u>	<u>\$ 758,807</u>	<u>\$ 7,547,307</u>	<u>\$ 7,508,726</u>	<u>\$ 824,239</u>	<u>\$ 8,332,965</u>

See accompanying Notes to Financial Statements.

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020 AND 2019**

	CIRS	Clinical	Gateway School	Program Services Total	Supporting Services		2020 Total
					Management and General	Fundraising	
Payroll and Payroll Related	\$ 335,567	\$ 1,033,495	\$ 2,074,905	\$ 3,443,967	\$ 99,624	\$ 214,805	\$ 3,758,396
Professional Fees	1,551,000	177,002	271,777	1,999,779	44,867	19,052	2,063,698
Supplies	6,653	279,041	21,983	307,677	4,355	1,786	313,818
Office	43,627	79,134	83,682	206,443	17,832	47,255	271,530
Occupancy	39,927	111,440	114,220	265,587	35,471	11,440	312,498
Local Transportation	6,080	2,603	1,624	10,307	4,413	201	14,921
Conferences and Conventions	110	1,068	506	1,684	700	-	2,384
Bad Debt Expense	12,456	111,454	-	123,910	-	-	123,910
Other	7,984	11,271	64,247	83,502	13,647	11,262	108,411
Depreciation	27,275	76,188	81,980	185,443	25,942	6,819	218,204
Total Functional Expenses	\$ 2,030,679	\$ 1,882,696	\$ 2,714,924	\$ 6,628,299	\$ 246,851	\$ 312,620	\$ 7,187,770

	CIRS	Clinical	Gateway School	Program Services Total	Supporting Services		2019 Total
					Management and General	Fundraising	
Payroll and Payroll Related	\$ 312,546	\$ 1,093,709	\$ 1,865,971	\$ 3,272,226	\$ 204,828	\$ 231,488	\$ 3,708,542
Professional Fees	1,788,347	109,851	271,347	2,169,545	49,380	21,537	2,240,462
Supplies	15,543	258,337	37,304	311,184	2,232	3,075	316,491
Office	45,957	93,447	68,322	207,726	11,239	32,682	251,647
Occupancy	40,948	162,112	94,581	297,641	32,275	11,795	341,711
Local Transportation	3,896	1,009	954	5,859	1,474	150	7,483
Conferences and Conventions	281	3,465	2,911	6,657	297	-	6,954
Other	457	2,127	29,922	32,506	7,178	33,763	73,447
Depreciation	27,842	111,368	55,684	194,894	27,525	6,961	229,380
Total Functional Expenses	\$ 2,235,817	\$ 1,835,425	\$ 2,426,996	\$ 6,498,238	\$ 336,428	\$ 341,451	\$ 7,176,117

See accompanying Notes to Financial Statements.

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (785,658)	\$ (300,605)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	218,204	229,380
Realized and Unrealized (Gain) Loss on Investments	161,877	(12,651)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	406,711	(796,937)
Contributions Receivable, Net	27,445	(28,125)
Prepaid Expenses	7,490	2,499
Accounts Payable and Accrued Expenses	(134,270)	89,143
Accrued Payroll	15,617	(578)
Other Liabilities	2,500	-
Net Cash Used by Operating Activities	<u>(80,084)</u>	<u>(817,874)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(15,300)	(38,311)
Proceeds from Sales of Investments	20,560	-
Purchase of Investments and Reinvested Dividends	<u>(37,351)</u>	<u>(123,878)</u>
Net Cash Used by Investing Activities	<u>(32,091)</u>	<u>(162,189)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Notes Payable	<u>727,400</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	615,225	(980,063)
Cash and Cash Equivalents - Beginning of Year	<u>1,409,838</u>	<u>2,389,901</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,025,063</u></u>	<u><u>\$ 1,409,838</u></u>

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1926 as a community gathering place for the hard of hearing, HASA has grown into an organization that serves more than 4,000 children and adults every year, helping them communicate more effectively – both on our campus and through community-based programming. Our mission, to connect people to their worlds, is crucial because there is an absolute need to understand and be understood. HASA's core program areas are education; hearing health; inclusion; language access; and speech and language.

On-campus programs include; Gateway School, a non-public school for children diagnosed with autism and other related communication disorders; a clinical services program providing speech, language, hearing health services and occupational therapy services; and CIRS Interpreting, the only non-profit American Sign Language (ASL) interpreting provider in Maryland which also offers sign language classes. Throughout the community, HASA teaches sign language classes, provides training on inclusion for employers and customer-based industries, and offers hearing and speech screenings and intervention.

Basis of Presentation

The financial statements of HASA have been prepared on the accrual basis of accounting. HASA reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions consist of normal operations and include net assets as designated by the board of directors.

Net assets with donor restrictions represent net assets subject to donor-imposed stipulations that will be met by actions of HASA and/or the passage of time. When the stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and Revenue

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give. Program Service Revenues are recognized in the period when the services were provided.

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

HASA recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Cash Equivalents

For purposes of the statement of cash flows, HASA considers cash equivalents to include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three (3) months or less.

Accounts Receivable

Accounts receivable are for amounts due from insurance companies and governmental organizations for which the Organization provides services, and are carried at an amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payers. Management estimates this allowance on a monthly basis based on a percentage uncollectible estimated for each payer. Additionally, management determines an allowance for doubtful accounts by evaluating individual accounts receivable and considering the aging of those receivables. Account receivables are written off when deemed uncollectible. Recoveries of account receivables previously written off are recorded when received. The allowance for doubtful accounts was \$43,259 and \$0 for the years ended June 30, 2020 and 2019, respectively.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at 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. When material, the discounts on those amounts are computed using rates applicable to the facts and circumstances applicable to each of the promises to give. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

HASA capitalizes expenditures for property and equipment with individual costs over \$5,000 and having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of 5 to 40 years using the straight-line method. Repairs and maintenance are expensed as incurred.

Investments

Investments consist of mutual funds with readily determinable fair values and are carried at those values based on quoted prices in active markets (Level 1). Realized and unrealized gains and or losses on investments are recorded in the period in which the gains or losses occur.

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

HASA reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during either of the years ended June 30, 2020 and 2019.

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 changes in net assets. Accordingly, costs have been allocated among the programs and supporting services that benefit from those costs. Management allocates expenses based on time allocation. Management and general expenses include those expenses that are not directly identified with any other specific function, but provide for the overall support and direction of HASA, Inc.

Subsequent Events

We have evaluated subsequent events through the September 16, 2020, the date the financial statements were available to be issued.

Change in Accounting Principle

In 2019, HASA adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This is a clarifying ASU that distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. Additionally, once a transaction is deemed to be a contribution, this ASU assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for limited purpose or timing. There was no material impact on HASA's financial position and changes in net assets as a result of the adoption of this accounting standard.

NOTE 2 INCOME TAXES

HASA is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. HASA has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the IRC.

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 RETIREMENT PLAN

HASA participates in a 403(b) thrift plan. All employees may participate and are able to withhold the maximum limited by current tax law. Employees who have attained the age of 21 and have worked at least one thousand (1,000) hours within a 12-month period, are entitled to receive an allocation of employer matching contributions equal to the participant's pro rata share of any discretionary employer matching contributions made for the plan year. Employees are fully vested after six years of service. There was a 4% discretionary match made for the years ended June 30, 2020 and 2019. Expenses are under this plan were \$49,662 and \$56,269 for the years ended June 30, 2020 and 2019, respectively.

NOTE 4 USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of financial statements in accordance with auditing standards 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.

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following unconditional promises to give at June 30:

	2020	2019
Collectible in Less than One Year	<u>\$ 4,430</u>	<u>\$ 31,875</u>

NOTE 6 DONOR-DESIGNATED ENDOWMENTS

HASA's endowment consists of one (1) individual fund consisting of donor-restricted funds established for audiology. 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 HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 6 DONOR-DESIGNATED ENDOWMENTS (CONTINUED)

The board of directors of HASA has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) 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 this interpretation, HASA classifies as net assets with donor restrictions, to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (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 remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by HASA in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, HASA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of HASA, and (7) HASA's investment policies.

Currently, HASA's policy is to invest the funds in money market accounts to preserve the principal and spend the interest earned on the program. The interest is restricted for the purpose of audiology.

Currently, HASA only has donor-restricted endowment funds. The donor restricted endowment fund balances and changes in the endowment net assets as of and for the years ended June 30, 2020 and 2019 are as follows:

	With Donor Restrictions		Total Endowment Net Assets
	Purpose Restricted	Endowment	
Endowment Net Assets - June 30, 2018	\$ 868	\$ 69,883	\$ 70,751
Contributions	-	-	-
Investment Income	1,364	-	1,364
Amounts Appropriated for Expenditure	-	-	-
Endowment Net Assets - June 30, 2019	2,232	69,883	72,115
Contributions	-	-	-
Investment Income	801	-	801
Amounts Appropriated for Expenditure	-	-	-
Endowment Net Assets - June 30, 2020	\$ 3,033	\$ 69,883	\$ 72,916

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Net Assets Restricted by Donors for Specific Purpose:		
Scholarships	\$ 601,724	\$ 601,724
Family Education	55,000	55,000
Charitable Care for Senior Citizens	29,167	50,000
Gateway Expansion	-	25,400
Endowment - Audiology	3,033	2,232
Total Purpose Restricted Net Assets	<u>688,924</u>	<u>734,356</u>
Net Assets Restricted by Donors for Passage of Time	-	20,000
Net Assets Restricted by Donor; Interest Only to be Used to Support Audiology:		
Lieberman Fund	69,883	69,883
Total Net Assets With Donor Restrictions	<u>\$ 758,807</u>	<u>\$ 824,239</u>

NOTE 8 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 240,000	\$ 240,000
Building and Improvements	7,059,834	7,059,834
Furniture	356,280	356,280
Office Equipment	471,480	471,480
Program Equipment	574,713	574,713
Subtotal	<u>8,702,307</u>	<u>8,702,307</u>
Less: Accumulated Depreciation	<u>4,226,372</u>	<u>4,008,168</u>
Total	<u>\$ 4,475,935</u>	<u>\$ 4,694,139</u>

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Charitable Care	\$ 20,833	\$ -
Gateway Expansion	25,400	-
Scholarships	-	534
Time	20,000	9,000
Total	<u>\$ 66,233</u>	<u>\$ 9,534</u>

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 NOTES PAYABLE

In April 2020, HASA obtained a CARES Act term loan of \$727,400 from Trust Bank. The loan requires monthly payments of principal and interest at 1.00% starting in November 2020 and is due April 2022. The CARES Act loan includes a feature that allows for forgiveness of the loan if the funds are used to cover certain operating expense items. HASA intends to seek loan forgiveness of the full loan amount in accordance with SBA guidelines pursuant to the CARES Act. Repayment terms will be adjusted once the lending institution has processed the loan forgiveness application and determined the final loan amount.

The future minimum payments on the note are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 342,306
2022	385,094
Total Future Minimum Payments	<u>\$ 727,400</u>

NOTE 11 FDIC LIMITS

HASA has deposits in banks which may be in excess of amounts insured by the Federal Deposit insurance corporation. HASA has not experienced any losses on cash accounts and management believes it is not exposed to significant credit risk on cash.

NOTE 12 REVENUE CONCENTRATION

HASA receives its Gateway School revenue from various governmental agencies. This made up approximately 40% and 37% of its revenue for the years ended June 30, 2020 and 2019, respectively.

NOTE 13 FAIR VALUE MEASUREMENTS

The accounting codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives 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 assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the assets or liabilities. The hierarchy requires the use of observable market data when available. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

**THE HEARING AND SPEECH AGENCY
OF METROPOLITAN BALTIMORE, INC., DBA: HASA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities and market-corroborated inputs.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are unobservable for the assets or liabilities and are significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. Mutual funds are listed on a national market or exchange and are valued at the last sale price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy. There have been no changes in the methodologies used at June 30, 2020 and 2019.

HASA recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2020 and 2019.

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	<u>Fair Value Measurements at Report Date Using</u>			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>				
Mutual Funds	<u>\$ 560,735</u>	<u>\$ 560,735</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2019</u>				
Mutual Funds	<u>\$ 705,821</u>	<u>\$ 705,821</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTE 14 COMMITMENTS

HASA leases seven (7) copiers under the terms of a renewable operating lease expiring through November 2022 and a mail machine under the terms of a renewable operating lease expiring through September 2024. Monthly rentals approximate \$3,400 per month. Lease expense was approximately \$40,000 for the years ended June 30, 2020 and 2019.

Future minimum rentals for the years ended June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 40,492
2022	40,492
2023	40,492
2024	4,164
2025	2,901
Total Future Minimum Lease Payments	<u>\$ 128,541</u>

NOTE 15 INVESTMENTS

Investments are carried at fair value (as determined by quoted prices in an active market for identical assets).

Investments consisted of the following at June 30:

	<u>2019</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	<u>\$ 365,431</u>	<u>\$ 560,735</u>	<u>\$ 672,394</u>	<u>\$ 705,821</u>

Investment income consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Unrealized Gains and Losses	\$ (161,877)	\$ 12,651
Interest and Dividends	37,351	24,548
Total Investment Income	<u>\$ (124,526)</u>	<u>\$ 37,199</u>

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NOTE 16 LIQUIDITY

HASA has \$3,537,777 and \$3,356,708 of financial assets on the balance sheet as of June 30, 2020 and 2019, respectively, consisting of cash of \$2,094,946 and \$1,479,721, accounts receivable of \$1,438,401 and \$1,845,112, and contributions receivable of \$4,430 and \$31,875. \$758,807 and \$824,239 of these financial assets as of June 30, 2020 and 2019, respectively, are subject to donor restrictions. \$69,883 of these financial assets are donor endowment funds. HASA will not use endowment funds for general expenditures other than investment returns without purpose restrictions. The company attempts to maintain sufficient cash on hand to meet 60 days of normal operating expenses and will draw upon investment funds without donor restrictions, which were \$560,735 and \$705,821 as of June 30, 2020 and 2019, respectively, in the event of an unanticipated liquidity need. Financial assets as of June 30 consisted of:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,094,946	\$ 1,479,721
Accounts Receivable	1,438,401	1,845,112
Contributions Receivable	<u>4,430</u>	<u>31,875</u>
Current Financial Assets at Year-End	3,537,777	3,356,708
Less Those Unavailable for General Expenditures Within One Year Due to:		
Restricted by Donor Time	-	20,000
Restricted by Donor Purpose	688,924	734,356
Endowment	<u>69,883</u>	<u>69,883</u>
Total	<u>758,807</u>	<u>824,239</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,778,970</u>	<u>\$ 2,532,469</u>