

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

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

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

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

We have audited the accompanying financial statements of The Hearing and Speech Agency of Metropolitan Baltimore, Inc. (HASA), which comprises the statement of financial position as of June 30, 2018, and the related statement 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  
The Hearing and Speech Agency  
of Metropolitan Baltimore, Inc.

***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, 2018, and the changes 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.

***Other Matter***

The 2017 financial statements of HASA were audited by other auditors whose report dated September 27, 2017, expressed an unmodified opinion on those statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
March 5, 2019

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,389,901	\$ 2,594,868
Investments	569,292	556,706
Accounts Receivable	1,048,175	579,419
Contributions Receivable	3,750	40,000
Prepaid expenses	20,487	62,597
Restricted Cash	69,883	69,883
Land, Building, and Equipment, Net	4,885,208	5,042,054
Total Assets	\$ 8,986,696	\$ 8,945,527
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 124,556	\$ 142,710
Accrued Payroll	228,570	136,767
Deferred Tuition	-	400
Total Liabilities	353,126	279,877
<b>NET ASSETS</b>		
Unrestricted:		
Available for General Activities	7,881,561	7,810,911
Board-Designated Scholarship Fund	25,000	25,000
Total Unrestricted	7,906,561	7,835,911
Temporarily Restricted:		
Restricted by Donors for Specific Purpose	657,126	759,856
Permanently Restricted:		
Restricted by Donor; Interest Only to be Used to Support the Program	69,883	69,883
Total Net Assets	8,633,570	8,665,650
Total Liabilities and Net Assets	\$ 8,986,696	\$ 8,945,527

See accompanying Notes to Financial Statements.

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Public Support:				
Contributions	\$ 359,920	\$ -	\$ -	\$ 359,920
Received Indirectly:				
United Way Community Support	2,904	-	-	2,904
Total Public Support	<u>362,824</u>	<u>-</u>	<u>-</u>	<u>362,824</u>
Revenue from Governmental Agencies	3,577,325	-	-	3,577,325
Other Revenue:				
Program Service Fees	3,060,905	-	-	3,060,905
Investment Income	17,676	733	-	18,409
Total Other Revenue	<u>3,078,581</u>	<u>733</u>	<u>-</u>	<u>3,079,314</u>
Net Assets Released from Restrictions	<u>103,463</u>	<u>(103,463)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	7,122,193	(102,730)	-	7,019,463
<b>EXPENSES</b>				
Program Services	6,407,444	-	-	6,407,444
Support Services Expense:				
Management and General	381,762	-	-	381,762
Fundraising	262,337	-	-	262,337
Total Support Services Expense	<u>644,099</u>	<u>-</u>	<u>-</u>	<u>644,099</u>
Total Expenses	<u>7,051,543</u>	<u>-</u>	<u>-</u>	<u>7,051,543</u>
<b>CHANGE IN NET ASSETS</b>	70,650	(102,730)	-	(32,080)
Net Assets - Beginning of Year	<u>7,835,911</u>	<u>759,856</u>	<u>69,883</u>	<u>8,665,650</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 7,906,561</u>	<u>\$ 657,126</u>	<u>\$ 69,883</u>	<u>\$ 8,633,570</u>

See accompanying Notes to Financial Statements.

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Public Support:				
Contributions	\$ 146,492	\$ 79,249	\$ -	\$ 225,741
Received Indirectly:				
United Way Community Support	7,315	-	-	7,315
Total Public Support	<u>153,807</u>	<u>79,249</u>	<u>-</u>	<u>233,056</u>
Revenue from Governmental Agencies	3,800,502	-	-	3,800,502
Other Revenue:				
Program Service Fees	2,956,029	-	-	2,956,029
Investment Income	46,054	36,248	-	82,302
Total Other Revenue	<u>3,002,083</u>	<u>36,248</u>	<u>-</u>	<u>3,038,331</u>
Net Assets Released from Restrictions	<u>37,551</u>	<u>(37,551)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	6,993,943	77,946	-	7,071,889
<b>EXPENSES</b>				
Program Services	6,591,528	-	-	6,591,528
Support Services Expense:				
Management and General	902,165	-	-	902,165
Fundraising	108,552	-	-	108,552
Total Support Services Expense	<u>1,010,717</u>	<u>-</u>	<u>-</u>	<u>1,010,717</u>
Total Expenses	<u>7,602,245</u>	<u>-</u>	<u>-</u>	<u>7,602,245</u>
<b>CHANGE IN NET ASSETS</b>	(608,302)	77,946	-	(530,356)
Net Assets - Beginning of Year	<u>8,444,213</u>	<u>681,910</u>	<u>69,883</u>	<u>9,196,006</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 7,835,911</u>	<u>\$ 759,856</u>	<u>\$ 69,883</u>	<u>\$ 8,665,650</u>

See accompanying Notes to Financial Statements.

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (32,080)	\$ (530,356)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Depreciation	226,418	222,369
Realized and Unrealized (Gain) Loss on Investments	18,339	(45,776)
Effects of Changes in Operating Assets and Liabilities		
Accounts Receivable	(468,756)	334,162
Contributions Receivable	36,250	(2,500)
Prepaid Expenses and Other Assets	42,110	18,669
Accounts Payable and Accrued Expenses	(18,154)	(12,426)
Accrued Payroll	91,803	(1,832)
Deferred Tuition	(400)	400
Net Cash Used by Operating Activities	(104,470)	(17,290)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditures	(69,572)	-
Proceeds from Sales of Investments	-	80,265
Purchase of Investments and Reinvested Dividends	(30,925)	(31,988)
Net Cash (Used) Provided by Investing Activities	(100,497)	48,277
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(204,967)	30,987
Cash and Cash Equivalents - Beginning of Year	2,594,868	2,563,881
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,389,901	\$ 2,594,868

See accompanying Notes to Financial Statements.



**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018**

	CIRS	Clinical	Gateway School	Program Services Total	Supporting Services		Total
					Management and General	Fund Raising	
Payroll and Payroll Related	\$ 505,776	\$ 1,006,224	\$ 1,675,724	\$ 3,187,724	\$ 266,568	\$ 197,492	\$ 3,651,784
Professional Fees	1,959,126	63,579	174,206	2,196,911	85,340	10,570	2,292,821
Supplies	27,366	249,981	31,745	309,092	8,688	1,677	319,457
Office	50,424	63,238	54,323	167,985	11,922	25,440	205,347
Occupancy	83,309	88,703	120,627	292,639	2,213	32	294,884
Local Transportation	2,004	728	1,468	4,200	52	81	4,333
Conferences and Conventions	155	5,634	8,366	14,155	2,232	211	16,598
Other	-	712	9,800	10,512	2,555	26,834	39,901
Depreciation	21,481	73,111	129,634	224,226	2,192	-	226,418
<b>Total Functional Expenses</b>	<b>\$ 2,649,641</b>	<b>\$ 1,551,910</b>	<b>\$ 2,205,893</b>	<b>\$ 6,407,444</b>	<b>\$ 381,762</b>	<b>\$ 262,337</b>	<b>\$ 7,051,543</b>

See accompanying Notes to Financial Statements.

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Payroll and Payroll Related	\$ 3,273,819	\$ 681,840	\$ 75,874	\$ 4,031,533
Professional Fees	2,370,254	103,343	900	2,474,497
Supplies	314,924	14,715	1,947	331,586
Office	185,991	9,562	19,195	214,748
Occupancy	225,574	56,304	5,037	286,915
Local Transportation	10,128	161	-	10,289
Conferences and Conventions	11,464	4,987	180	16,631
Other	11,032	2,645	-	13,677
Depreciation	188,342	28,608	5,419	222,369
<b>Total Functional Expenses</b>	<b>\$ 6,591,528</b>	<b>\$ 902,165</b>	<b>\$ 108,552</b>	<b>\$ 7,602,245</b>

See accompanying Notes to Financial Statements.

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

HASA's mission is to connect people to their worlds because HASA believes in a society where everyone understands and can be understood. HASA provides hearing health, speech-language pathology, education, language access, and inclusion programs to people throughout the lifespan. The Hearing and Speech Agency (dba HASA) is a non-profit organization founded in 1926.

**Contributions and Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished ), temporarily restricted net assets are reclassified to unrestricted net assets 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.

**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**

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) require the allowance method for accounting for bad debts, but the differences between the two methods is not significant.

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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 – 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.

**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 the years ended June 30, 2018 and 2017.

**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 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.

During the current year, management changed the allocation estimate based on time allocations that were not considered in the prior year. Additionally they better tracked expenses by program rather than on a total program basis. These changes in estimates were not retrospectively applied to the June 30, 2017 statement of functional expenses.

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain amounts in the prior period have been reclassified to conform to the current year's presentation. These reclassifications have no effect on previously reported net assets.

**Subsequent Events**

We have evaluated subsequent events through the March 5, 2019, the date the financial statements were available to be issued.

**NOTE 2 INCOME TAXES**

HASA is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) 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 Code.

**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, shall be 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% and 0% discretionary match made for the years ended June 30, 2018 and 2017, respectively. Expenses are under this plan were \$60,456 and \$0 for the years ended June 30, 2018 and 2017, 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.

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

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

	2018	2017
Collectible in Less than One Year	\$ 3,750	\$ 40,000

**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 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 permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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 HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 DONOR-DESIGNATED ENDOWMENTS (CONTINUED)**

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, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment Net Assets -				
June 30, 2016	\$ -	\$ 51	\$ 69,883	\$ 69,934
Contributions	-	-	-	-
Investment Income	-	135	-	135
Amounts Appropriated for Expenditure	-	(51)	-	(51)
Endowment Net Assets -				
June 30, 2017	-	135	69,883	70,018
Contributions	-	-	-	-
Investment Income	-	733	-	733
Amounts Appropriated for Expenditure	-	-	-	-
Endowment Net Assets -				
June 30, 2018	<u>\$ -</u>	<u>\$ 868</u>	<u>\$ 69,883</u>	<u>\$ 70,751</u>

**NOTE 7 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30:

	2018	2017
Sheila Applestein Fund	\$ -	\$ 8,987
Scholarships	592,258	648,894
Family Education	55,000	55,098
Gateway Parents' Association	-	4,028
Endowment - Audiology	868	135
Time	9,000	42,714
Total Temporarily Restricted Net Assets	<u>\$ 657,126</u>	<u>\$ 759,856</u>

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 8 LAND, BUILDINGS, AND EQUIPMENT**

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

	<u>2018</u>	<u>2017</u>
Land	\$ 240,000	\$ 240,000
Building and Improvements	7,040,925	7,040,925
Furniture	356,356	356,356
Office Equipment	452,174	382,601
Program Equipment	574,540	574,540
	<u>8,663,995</u>	<u>8,594,422</u>
Less Accumulated Depreciation	3,778,787	3,552,368
Total	<u>\$ 4,885,208</u>	<u>\$ 5,042,054</u>

**NOTE 9 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets (interest only may be used) consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Lieberman Fund	<u>\$ 69,883</u>	<u>\$ 69,883</u>

**NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS**

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

	<u>2018</u>	<u>2017</u>
Audiology	\$ -	\$ 51
Education	13,113	-
Scholarships	56,636	-
Time	33,714	37,500
Total	<u>\$ 103,463</u>	<u>\$ 37,551</u>

**NOTE 11 FDIC LIMITS**

Cash deposits in one (1) bank are insured up to \$250,000. HASA maintains balances in one (1) bank in excess of \$250,000. Amounts over \$250,000 are not insured under the FDIC. HASA has not experienced any losses with respect to its bank balances in excess of FDIC limits.



**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 12 REVENUE CONCENTRATION**

HASA received approximately 51% and 54% of its revenue from various governmental agencies for the years ended June 30, 2018 and 2017, 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.

*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 methodologies used for assets measured at fair value. Mutual funds are listed on a national market or exchange, 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, 2018 and 2017.

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, 2018 and 2017.

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follows:

	Fair Value	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2018</u>				
Mutual Funds	\$ 569,292	\$ 569,292	\$ -	\$ -
<u>June 30, 2017</u>				
Mutual Funds	\$ 556,706	\$ 556,706	\$ -	\$ -

**NOTE 14 COMMITMENTS**

HASA leases seven (7) copiers and a mail machine under the terms of a renewable operating lease expiring through November 2022. Monthly rentals approximate \$3,000 per month. Lease expense was approximately \$35,000 and \$38,000 for the years ended June 30, 2018 and 2017, respectively.

Future minimum rentals for the years ended June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 36,624
2020	36,624
2021	36,624
2022	36,624
2023	296

**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:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 548,023	\$ 569,292	\$ 517,099	\$ 556,706

**THE HEARING AND SPEECH AGENCY  
OF METROPOLITAN BALTIMORE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 15 INVESTMENTS (CONTINUED)**

Investment income consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Unrealized Gains and Losses	\$ (18,339)	\$ 35,038
Realized Gains	-	10,738
Interest and Dividends	36,748	36,526
Total Investment Income	<u>\$ 18,409</u>	<u>\$ 82,302</u>