

AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE

CONSOLIDATED FINANCIAL REPORT

September 30, 2019

AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE

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Independent Auditors' Report

To the Board of Directors of
American Academy of Audiology and Affiliate
Reston, Virginia

We have audited the accompanying consolidated financial statements of American Academy of Audiology and Affiliate (the Organization), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Academy of Audiology and Affiliate as of September 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and our report dated February 21, 2019, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter – Effect of Adopting New Accounting Standard

As discussed in Note 2, American Academy of Audiology and Affiliate adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended September 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



North Bethesda, Maryland
February 24, 2020

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2019 (with Comparative Totals for 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Assets				
Cash and cash equivalents	\$ 1,599,002	\$ 202,175	\$ 1,801,177	\$ 1,872,384
Accounts receivable, net	55,309	34,000	89,309	94,137
Pledges receivable	-	-	-	5,500
Prepaid expenses	171,598	-	171,598	127,146
Investments	7,565,717	286,414	7,852,131	7,114,722
Property and equipment, net	320,340	-	320,340	316,711
Security deposit	62,793	-	62,793	62,793
	<u>\$ 9,774,759</u>	<u>\$ 522,589</u>	<u>\$ 10,297,348</u>	<u>\$ 9,593,393</u>
Total assets				
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 329,995	\$ 3,373	\$ 333,368	\$ 397,990
Deferred revenue	1,688,680	-	1,688,680	1,623,292
Deferred lease incentive and deferred rent	353,216	-	353,216	426,817
	<u>2,371,891</u>	<u>3,373</u>	<u>2,375,264</u>	<u>2,448,099</u>
Total liabilities				
Net Assets				
Without donor restrictions				
Undesignated	7,356,950	-	7,356,950	6,578,971
Board designated	45,918	-	45,918	45,918
Total without donor restrictions	7,402,868	-	7,402,868	6,624,889
With donor restrictions	-	519,216	519,216	520,405
Total net assets	7,402,868	519,216	7,922,084	7,145,294
	<u>\$ 9,774,759</u>	<u>\$ 522,589</u>	<u>\$ 10,297,348</u>	<u>\$ 9,593,393</u>
Total liabilities and net assets				

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

AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended September 30, 2019 (with Comparative Totals for 2018)

	2019			2018 Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Membership	\$ 2,688,041	\$ -	\$ 2,688,041	\$ 2,804,112
AAA	2,184,446	-	2,184,446	2,756,124
Communications	919,405	-	919,405	888,884
Continuing education	398,463	-	398,463	413,616
Investment return	328,203	7,917	336,120	434,528
Board certification - ABA	283,218	-	283,218	82,161
Contributions	51,219	80,831	132,050	140,872
Special events	12,832	-	12,832	34,277
Other income	-	-	-	200
Net assets released from restrictions	<u>89,937</u>	<u>(89,937)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,955,764</u>	<u>(1,189)</u>	<u>6,954,575</u>	<u>7,554,774</u>
Expenses				
Program Activities				
Annual Meeting	1,853,319	-	1,853,319	1,764,828
Membership	1,570,837	-	1,570,837	1,789,168
Advocacy	639,849	-	639,849	617,542
Education	475,429	-	475,429	512,368
Student programs	434,463	-	434,463	453,719
Governance	336,779	-	336,779	333,609
Certification	<u>273,015</u>	<u>-</u>	<u>273,015</u>	<u>368,626</u>
Total program services	<u>5,583,691</u>	<u>-</u>	<u>5,583,691</u>	<u>5,839,860</u>
Supporting services				
Administrative expenses	579,909	-	579,909	498,947
Cost of benefits provided to donors	-	-	-	9,439
Fundraising	<u>14,185</u>	<u>-</u>	<u>14,185</u>	<u>11,078</u>
Total supporting services	<u>594,094</u>	<u>-</u>	<u>594,094</u>	<u>519,464</u>
Total expenses	<u>6,177,785</u>	<u>-</u>	<u>6,177,785</u>	<u>6,359,324</u>
Change in net assets	<u>777,979</u>	<u>(1,189)</u>	<u>776,790</u>	<u>1,195,450</u>
Net assets, beginning of year	<u>6,624,889</u>	<u>520,405</u>	<u>7,145,294</u>	<u>5,949,844</u>
Net assets, end of year	<u>\$ 7,402,868</u>	<u>\$ 519,216</u>	<u>\$ 7,922,084</u>	<u>\$ 7,145,294</u>

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

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019**

	Program Services							Supporting Services				Total
	Membership	Annual Meeting and Expo	Education	Certification	Advocacy	Student Programs	Governance	Total Programs	Management and General	Fundraising	Total Support	
Salaries and benefits	\$ 596,834	\$ 715,289	\$ 205,437	\$ 180,489	\$ 279,298	\$ 176,398	\$ 242,069	\$ 2,395,814	\$ 562,400	\$ -	\$ 562,400	\$ 2,958,214
Professional services and fees	516,654	719,150	65,665	15,976	212,000	162,442	14,335	1,706,222	186,656	6,574	193,230	1,899,452
Representation and alliance	115	42,998	68,542	12,705	46,637	23,610	44,882	239,489	1,804	-	1,804	241,293
Office and occupancy	161,662	137,881	8,517	10,906	27,918	2,367	4,759	354,010	345,452	7,611	353,063	707,073
Scholarship and awards	1,256	24,931	39,870	343	112	27,427	29,856	123,795	199	-	199	123,994
Depreciation and amortization	-	-	-	-	-	-	-	-	79,649	-	79,649	79,649
PAC	-	-	-	-	14,000	-	-	14,000	-	-	-	14,000
Other	-	9,405	-	-	2,492	-	878	12,775	-	-	-	12,775
Total expenses before allocations to programs	1,276,521	1,649,654	388,031	220,419	582,457	392,244	336,779	4,846,105	1,176,160	14,185	1,190,345	6,036,450
Overhead allocations	294,316	203,665	87,398	52,596	57,392	42,219	-	737,586	(596,251)	-	(596,251)	141,335
Total expenses after allocations to programs	\$ 1,570,837	\$ 1,853,319	\$ 475,429	\$ 273,015	\$ 639,849	\$ 434,463	\$ 336,779	\$ 5,583,691	\$ 579,909	\$ 14,185	\$ 594,094	\$ 6,177,785

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

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended September 30, 2019 (with Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 776,790	\$ 1,195,450
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	79,649	76,994
Net realized and unrealized gains on investments	(110,362)	(321,470)
(Increase) decrease in assets:		
Accounts receivable	4,828	(56,099)
Prepaid expenses	(44,452)	21,731
Pledges receivable	5,500	5,500
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(64,622)	135,367
Deferred revenue	65,388	143,789
Deferred lease incentive and deferred rent	(73,601)	(70,873)
Net cash provided by operating activities	639,118	1,130,389
Cash flows from investing activities:		
Payment for purchase of fixed assets	(83,278)	(14,393)
Purchases of investments	(898,413)	(6,906,141)
Proceeds from sales of investments	271,366	6,776,553
Net cash used in investing activities	(710,325)	(143,981)
Net increase (decrease) in cash and cash equivalents	(71,207)	986,408
Cash and cash equivalents, beginning of year	1,872,384	885,976
Cash and cash equivalents, end of year	\$ 1,801,177	\$ 1,872,384

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

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 1. Nature of Operations

The American Academy of Audiology, Inc. (the Academy) is a national not-for-profit professional organization made up of individuals dedicated to providing quality hearing care to the public. The Academy promotes quality hearing and balance care by advancing the profession of audiology through leadership, advocacy, education, public awareness, and support of research. Established in 1988, the Academy is incorporated under the laws of Delaware and has its headquarters in Reston, Virginia.

The American Academy of Audiology Foundation (the Foundation), founded in 1990, is a charitable not-for-profit organized to raise funds and support programs of excellence in education, promising research and public awareness in audiology and hearing science. The Foundation is incorporated under the laws of Tennessee and is headquartered with the Academy.

The American Academy of Audiology Political Action Committee (AAA-PAC) is a political organization controlled by the Academy that supports policy goals important to audiologists and the practice of audiology through the support of candidates for elective office. AAA-PAC is exempt from the payment of income taxes on its exempt function income under Section 527(a) of the Internal Revenue Code (IRC).

The American Board of Audiology (ABA), formed in 1998, functions as a credentialing body within the legal corporate structure of the Academy in a self-directed manner with respect to credentialing decisions. ABA has unique certification policies, procedures, and operational decisions developed by ABA's Board of Governors dedicated to enhancing audiologic services to the public by promulgating universally recognized standards in professional practice. ABA encourages audiologists to exceed these prescribed standards, thereby promoting a high level of professional development and ethical practice.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The Academy has a controlling financial interest in the Foundation. The AAA-PAC is reported as a net asset with donor restrictions fund within the Academy. Accordingly, the accompanying consolidated financial statements include the accounts of the Academy and the Foundation, which are referred to collectively as "the Organization" throughout the accompanying footnotes. All significant inter-entity balances and transactions have been eliminated in the consolidated financial statements.

Comparative Financial Information

The consolidated 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Academy's consolidated financial statements for the year ended September 30, 2018, from which the summarized information was derived.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Organization 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 represent the expendable net assets that are available for support of the Organization. Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time and those that are subject to donor-imposed stipulations that the Organization maintain them permanently.

Recent Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU as of and for the year ended September 30, 2019. The adoption of this ASU had no effect on net assets or the change in net assets presented for the year ended September 30, 2019.

The Organization opted not to disclose liquidity and availability information, and an analysis of functional expenses by nature for 2018, as permitted under the ASU in the year of adoption.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 2. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments, which can be converted into known amounts of cash and have an original maturity period of 90 days or less, to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of amounts due for advertising and continuing education. Management determines the allowance for doubtful accounts by identifying delinquent accounts and by using historical experience applied to an aging of accounts. The provision for doubtful accounts, based on management's evaluation of the collectability of receivables, was \$ 5,030 and \$ 5,070 at September 30, 2019 and 2018, respectively.

Pledges Receivable

Pledges receivable represent unconditional amounts committed to the Foundation and are recognized as contribution revenue in the period promised. Management determines the allowance for doubtful pledges through analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fundraising activity. Based on management's review, the Organization believes that all pledges receivable at September 30, 2019 and 2018 are collectible, and no provision for doubtful accounts has been made.

Investments

Investments are stated at fair value. Interest and dividend income is accounted for on the accrual basis. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Money market funds are carried at cost, which approximates fair value.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment acquisitions totaling \$ 2,500 or more with a projected useful life exceeding one year are capitalized and recorded at cost. Minor repair and maintenance costs are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of their estimated useful lives or the lease term. Depreciation and amortization expense totaled \$ 79,649 and \$ 76,994 for the years ended September 30, 2019 and 2018, respectively.

Deferred Rent

The Organization recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent and included in deferred lease incentive and deferred rent on the accompanying consolidated statement of financial position.

Revenue Recognition

Membership dues are recognized ratably over the applicable dues period, which is on a calendar year basis. Membership dues received that are applicable to future periods are included in deferred revenue in the accompanying consolidated statement of financial position. At September 30, 2019 and 2018, deferred revenue related to membership dues totaled \$ 859,964 and \$ 711,642, respectively.

AAA revenue includes registrations and exhibitor fees and is recognized as revenue in the year in which the event takes place. Amounts received in advance are reflected as deferred revenue in the accompanying consolidated statement of financial position. Deferred revenue related to AAA totaled \$ 469,558 and \$ 560,844 at September 30, 2019 and 2018, respectively.

In 2018, ABA revised their board certification model resulting in \$ 164,432 and \$ 229,078 in deferred Board certification revenue at September 30, 2019 and 2018, respectively, that will be applied for future certification. Board certification revenue is recognized upon receipt of payment and notification of recertification.

Other deferred revenue consists of fees collected in advance for continuing education and communications projects. At September 30, 2019 and 2018, other deferred revenue totaled \$ 194,726 and \$ 121,728, respectively.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions are recorded as revenue when received or promised. The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to one of the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions and gains and losses on investments are reported as net assets without donor restrictions if the restrictions are met in the same year received.

Communications revenue consists of subscriptions, advertising royalties, and product sales related to the Academy's publications. Revenue is recognized when the publications are issued.

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, the Organization allocates salaries, benefits, and office occupancy overhead expenses to the various program and supporting services based upon personnel used in each area. Depreciation is allocated to management and general and representation, scholarship and other expenses are allocated directly to the program for which they are incurred.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 24, 2020, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 3. Concentration of Credit Risk

The Organization maintains its cash accounts at institutions with balances that may exceed \$ 250,000, which is the amount insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash balances.

Note 4. Liquidity and Availability

Financial assets available within one year for operations that are not subject to donor restrictions that make them unavailable for general operations as of September 30, 2019, were as follows:

Cash and cash equivalents	\$ 1,801,177
Investments	7,852,131
Accounts receivable	89,309
Less:	
Net assets without donor restrictions – Board designated	45,918
Net assets with donor restrictions	<u>519,216</u>
	<u>\$ 9,177,483</u>

As part of the Organization’s liquidity management, it invests cash in various investments including collateralized sweep accounts, certificates of deposit, money market funds, and mutual funds. The Organization manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential balanced with the amount of risk the Organization has decided can be tolerated. The Organization’s Board of Directors, at its discretion, can undesignate the balance of Board designated net assets so that the Organization can meet obligations for general expenditures.

Note 5. Pledges Receivable and Conditional Promises to Give

No pledge receivables were outstanding as of September 30, 2019. Pledges receivable were \$ 5,500 at September 30, 2018 and were receivable in less than one year.

As of September 30, 2019 and 2018, the Organization had conditional promises to give whose donor conditions had not been met as of year-end, and accordingly revenue has not been recognized, for the following purposes:

	2019	2018
Marion Downs Lecture	\$ -	\$ 14,500
Student Research Forum	<u>10,000</u>	<u>15,000</u>
Total	<u>\$ 10,000</u>	<u>\$ 29,500</u>

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 6. Investments and Fair Value Measurements

Financial Accounting Standards Board (FASB) provides the 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 hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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 inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019 and 2018.

Mutual Funds:

Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds and are registered with the U.S. Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 6. Investments and Fair Value Measurements (continued)

Exchange Traded Funds:

Valued at the last reported sales price at year-end as reported by the fund. Exchange traded funds held by the Organization are closed-ended funds and are registered with the SEC. The exchange traded funds held by the Organization are deemed to be actively traded.

Stocks:

Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of Deposit:

Valued as similar assets with comparable interest rates, maturities, and investment grade.

Money Market Funds:

Valued at the daily closing price as reported by the fund. Money market funds held by the Organization are open-ended money market funds and are registered with the SEC. These funds are required to publish their daily net asset value (NAV). These funds generally transact at a \$ 1.00 stable NAV. However, on a daily basis the fund's NAV is calculated using the amortized cost (not market value) of the securities held in the fund.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 6. Investments and Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of September 30, 2019 and 2018:

Assets at Fair Value as of September 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 1,219,728	\$ -	\$ -	\$ 1,219,728
Fixed income	1,783,034	-	-	1,783,034
Exchange traded funds:				
Equity	1,798,263	-	-	1,798,263
Stocks	346,131	-	-	346,131
Certificates of deposit	-	2,476,279	-	2,476,279
Money market funds	-	228,696	-	228,696
Total investments	<u>\$ 5,147,156</u>	<u>\$ 2,704,975</u>	<u>\$ -</u>	<u>\$ 7,852,131</u>

Assets at Fair Value as of September 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 890,195	\$ -	\$ -	\$ 890,195
Fixed income	1,758,444	-	-	1,758,444
Exchange traded funds:				
Equity	1,782,708	-	-	1,782,708
Stocks	312,307	-	-	312,307
Certificates of deposit	-	1,540,059	-	1,540,059
Money market funds	-	831,009	-	831,009
Total investments	<u>\$ 4,743,654</u>	<u>\$ 2,371,068</u>	<u>\$ -</u>	<u>\$ 7,114,722</u>

Investment return consists of the following for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 249,538	\$ 136,140
Investment fees	(23,780)	(23,082)
Net realized and unrealized gains on investments	<u>110,362</u>	<u>321,470</u>
Total investment return	<u>\$ 336,120</u>	<u>\$ 434,528</u>

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 7. Property and Equipment

Property and equipment consists of the following at September 30, 2019 and 2018:

	2019	2018
Office equipment and computer software	\$ 629,845	\$ 552,743
Furniture	174,530	273,377
Leasehold improvements	691,841	691,841
Total property and equipment	1,496,216	1,517,961
Less: accumulated depreciation and amortization	(1,175,876)	(1,201,250)
Property and equipment, net	\$ 320,340	\$ 316,711

Note 8. Board Designated Net Assets

Board designated net assets at September 30, 2019 and 2018 consist of \$ 45,918 and \$ 45,918, respectively, for scholarships.

During the year ended September 30, 2019, there were no releases from board designated net assets to undesignated net assets.

During the year ended September 30, 2018, there were releases from board designated net assets to undesignated net assets of \$ 16,582.

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at September 30, 2019 and 2018:

	2019	2018
Education	\$ 11,771	\$ 15,229
Research	22,758	25,008
General public awareness	21,027	21,027
M. Downs' lecture	18,595	16,599
Memorial scholarships	41,326	39,857
Student research forum	3,227	2,285
Student focused projects (SAA)	12,456	24,260
NAFDA SAA fund	102,252	96,804
Hearing loss/music industry	43,523	43,523
Member assistance program	6,270	6,270
AAA-PAC	203,112	197,555
ACAE	936	25
Tinnitus lecture	8,610	8,610
Future Leaders of Audiology	23,353	23,353
Total net assets with donor restrictions	\$ 519,216	\$ 520,405

During the year ended September 30, 2019, \$ 89,937 of net assets with donor restrictions were released from restrictions upon meeting the purpose restrictions.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 10. Commitments and Contingencies

Office Space Lease

The Academy leases its headquarters office space in Reston, Virginia, under the terms of a non-cancelable operating lease that expires February 28, 2028. The Academy received several months' free rent as well as a tenant improvement allowance as lease incentives under the new lease.

These amounts are recorded as deferred lease incentives on the consolidated statement of financial position, and are being amortized against rental expense over the life of the lease. The unamortized portion resulting from the difference between the amounts paid and expensed is reflected as a deferred lease incentive and deferred rent on the accompanying consolidated statement of financial position. The lease also requires payment of the Academy's proportionate share of the building's operating expenses and real estate taxes in addition to the minimum rental payments.

Future minimum payments under the agreement are as follows for the years ending September 30:

2020	\$ 229,955
2021	323,979
2022	362,926
2023	372,906
2024	383,161
Thereafter	<u>1,390,607</u>
Future minimum lease payments	<u>\$ 3,063,534</u>

Office rent expense for the years ended September 30, 2019 and 2018, respectively, was \$ 298,385 and \$ 284,961.

Hotel and Conference Facilities Contracts

The Academy is committed under agreements for hotel space and conference facilities through the year 2027. The total commitment under the agreements is not determinable as it depends upon attendance and other unknown factors. In the event that these conferences are canceled before the event occurs, the Academy may be liable for certain amounts, depending on when cancellation occurs. Management believes no material liability is likely on other contracts.

Note 11. Retirement Plan

The Organization has a defined contribution retirement savings plan that covers all employees who meet certain eligibility requirements. The Organization makes a fully vested safe harbor contribution of 5% of each eligible employee's salary, regardless of employee contributions. In addition, the Organization may elect to make a discretionary contribution that is determined annually. The Organization contributed \$ 108,559 and \$ 109,233 to the retirement plan for the years ended September 30, 2019 and 2018, respectively.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018**

Note 12. Affiliated Organization

The Academy provides support to the Accreditation Commission for Audiology Education (ACAE), an affiliated organization. For the years ended September 30, 2019 and 2018, the Academy provided \$ 129,912 and \$ 169,757 in contributions and other support to ACAE to support its mission, respectively.

Note 13. Income Taxes

The Academy is exempt from federal income taxes under the provisions of Section 501(c)(6) of the Internal Revenue Code and has been classified as an organization that is not a private foundation. Income from unrelated business activities is subject to tax on unrelated business income. The Academy generates unrelated business income from advertisers in its publication and website.

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. However, entities that are classified under this section of the Code are taxed on “unrelated business income” as defined by IRS regulations. There was no unrelated business income for the years ended September 30, 2019 and 2018, respectively.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken and recognize a tax liability if it is more likely than not that uncertain tax positions taken would not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken and has concluded that, as of September 30, 2019 and 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization’s federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

Note 14. Employment Agreement

The Academy has an employment agreement with the Executive Director. If the Executive Director is terminated for any reason other than cause, as defined in the agreement, the Academy must continue to pay salary and all benefits for a period of time as described in the contract.

Note 15. Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's account balances and amounts reported in the consolidated statement of financial position.

Independent Auditors' Report on Supplementary Information

To the Board of Directors of
American Academy of Audiology and Affiliate
Reston, Virginia

We have audited the consolidated financial statements of American Academy of Audiology and Affiliate as of and for the year ended September 30, 2019, and our report thereon dated February 24, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information on pages 20 and 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net assets, and cash flows of the individual organizations and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information on pages 20 and 21 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 20 and 21 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



*North Bethesda, Maryland
February 24, 2020*

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2019**

	<u>Academy</u>		<u>Foundation</u>		<u>Eliminations</u>		<u>Total</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Assets								
Cash and cash equivalents	\$ 1,580,515	\$ 202,175	\$ 18,487	\$ -	\$ -	\$ -	\$ 1,599,002	\$ 202,175
Accounts receivable, net	75,936	938	-	34,000	(20,627)	(938)	55,309	34,000
Pledges receivable	-	-	-	-	-	-	-	-
Prepaid expenses	171,598	-	-	-	-	-	171,598	-
Investments	7,054,399	-	511,318	286,414	-	-	7,565,717	286,414
Property and equipment, net	320,340	-	-	-	-	-	320,340	-
Security deposit	62,793	-	-	-	-	-	62,793	-
Total assets	<u>\$ 9,265,581</u>	<u>\$ 203,113</u>	<u>\$ 529,805</u>	<u>\$ 320,414</u>	<u>\$ (20,627)</u>	<u>\$ (938)</u>	<u>\$ 9,774,759</u>	<u>\$ 522,589</u>
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 329,996	\$ -	\$ 20,626	\$ 4,311	\$ (20,627)	\$ (938)	\$ 329,995	\$ 3,373
Deferred revenue	1,688,680	-	-	-	-	-	1,688,680	-
Deferred lease incentive and deferred rent	353,216	-	-	-	-	-	353,216	-
Total liabilities	<u>2,371,892</u>	<u>-</u>	<u>20,626</u>	<u>4,311</u>	<u>(20,627)</u>	<u>(938)</u>	<u>2,371,891</u>	<u>3,373</u>
Net Assets								
Without donor restrictions								
Undesignated	6,893,689	-	463,261	-	-	-	7,356,950	-
Board-designated	-	-	45,918	-	-	-	45,918	-
Total without donor restrictions	6,893,689	-	509,179	-	-	-	7,402,868	-
With donor restrictions	-	203,113	-	316,103	-	-	-	519,216
Total net assets	<u>6,893,689</u>	<u>203,113</u>	<u>509,179</u>	<u>316,103</u>	<u>-</u>	<u>-</u>	<u>7,402,868</u>	<u>519,216</u>
Total liabilities and net assets	<u>\$ 9,265,581</u>	<u>\$ 203,113</u>	<u>\$ 529,805</u>	<u>\$ 320,414</u>	<u>\$ (20,627)</u>	<u>\$ (938)</u>	<u>\$ 9,774,759</u>	<u>\$ 522,589</u>

See independent auditors' report on supplementary information.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended September 30, 2019**

	<u>Academy</u>		<u>Foundation</u>		<u>Eliminations</u>		<u>Total</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>						
Revenue and Support								
Membership	\$ 2,688,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,688,041	\$ -
AAA	2,184,446	-	-	-	-	-	2,184,446	-
Communications	919,405	-	-	-	-	-	919,405	-
Continuing education	399,463	-	-	-	(1,000)	-	398,463	-
Investment return	299,965	-	28,238	7,917	-	-	328,203	7,917
Board certification - ABA	283,218	-	-	-	-	-	283,218	-
Contributions	-	19,558	235,314	61,273	(184,095)	-	51,219	80,831
Special events	-	-	12,832	-	-	-	12,832	-
Other income	14,674	-	-	-	(14,674)	-	-	-
Net assets released from restrictions	14,000	(14,000)	75,937	(75,937)	-	-	89,937	(89,937)
Total revenue and support	<u>6,803,212</u>	<u>5,558</u>	<u>352,321</u>	<u>(6,747)</u>	<u>(199,769)</u>	<u>-</u>	<u>6,955,764</u>	<u>(1,189)</u>
Expenses								
Program Activities								
Annual Meeting	1,853,319	-	-	-	-	-	1,853,319	-
Membership	1,570,837	-	-	-	-	-	1,570,837	-
Advocacy	639,849	-	-	-	-	-	639,849	-
Education	430,119	-	48,810	-	(3,500)	-	475,429	-
Student programs	390,826	-	44,637	-	(1,000)	-	434,463	-
Governance	332,285	-	4,494	-	-	-	336,779	-
Certification	273,015	-	-	-	-	-	273,015	-
Total program services	<u>5,490,250</u>	<u>-</u>	<u>97,941</u>	<u>-</u>	<u>(4,500)</u>	<u>-</u>	<u>5,583,691</u>	<u>-</u>
Supporting services								
Administrative expenses	571,031	-	192,973	-	(184,095)	-	579,909	-
Cost of benefits provided to donors	-	-	-	-	-	-	-	-
Fundraising	-	-	25,359	-	(11,174)	-	14,185	-
Total supporting services	<u>571,031</u>	<u>-</u>	<u>218,332</u>	<u>-</u>	<u>(195,269)</u>	<u>-</u>	<u>594,094</u>	<u>-</u>
Total expenses	<u>6,061,281</u>	<u>-</u>	<u>316,273</u>	<u>-</u>	<u>(199,769)</u>	<u>-</u>	<u>6,177,785</u>	<u>-</u>
Change in net assets	<u>741,931</u>	<u>5,558</u>	<u>36,048</u>	<u>(6,747)</u>	<u>-</u>	<u>-</u>	<u>777,979</u>	<u>(1,189)</u>
Net assets, beginning of the year	<u>6,151,758</u>	<u>197,555</u>	<u>473,131</u>	<u>322,850</u>	<u>-</u>	<u>-</u>	<u>6,624,889</u>	<u>520,405</u>
Net assets, end of year	<u>\$ 6,893,689</u>	<u>\$ 203,113</u>	<u>\$ 509,179</u>	<u>\$ 316,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,402,868</u>	<u>\$ 519,216</u>

See independent auditors' report on supplementary information.