

THE AMERICAN
TINNITUS ASSOCIATION

Audited Financial Statements

For the Year Ended June 30, 2020



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The American Tinnitus Association

We have audited the accompanying financial statements of The American Tinnitus Association (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Report on Summarized Comparative Information

We have previously audited The American Tinnitus Association's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
November 2, 2020

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With comparative totals for 2019)

| | 2020 | 2019 |
|---|------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 156,884 | \$ 73,158 |
| Investments | 1,425,268 | 1,367,446 |
| Prepaid expenses and deposits | 5,105 | 6,038 |
| Bequests receivable | 2,850,524 | 96,630 |
| Property and equipment, net | 32,469 | 26,192 |
| TOTAL ASSETS | \$ 4,470,250 | \$ 1,569,464 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 20,813 | \$ 15,371 |
| Accrued personnel expenses | 37,238 | 23,600 |
| Refundable advance-Payroll Protection Program | 55,420 | - |
| Total liabilities | 113,471 | 38,971 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 4,022,679 | 1,286,584 |
| Net property and equipment | 32,469 | 26,192 |
| Total without donor restrictions | 4,055,148 | 1,312,776 |
| With donor restrictions | 301,631 | 243,909 |
| Total net assets | 4,356,779 | 1,530,493 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,470,250 | \$ 1,569,464 |

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020
(With comparative totals for 2019)

| | 2020 | | | 2019 Total |
|-------------------------------|-------------------------------|----------------------------|--------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Support and revenue: | | | | |
| Contributions | \$ 446,236 | \$ 32,920 | \$ 479,156 | \$ 500,189 |
| Bequests | 3,018,991 | 20,000 | 3,038,991 | 111,353 |
| Investment income, net | 27,183 | - | 27,183 | 96,427 |
| Advertising and other revenue | 5,744 | - | 5,744 | 9,369 |
| Returned grant | - | 4,802 | 4,802 | 9,173 |
| | 3,498,154 | 57,722 | 3,555,876 | 726,511 |
| Expenses: | | | | |
| Program services | 321,254 | - | 321,254 | 386,164 |
| Management and general | 234,246 | - | 234,246 | 328,295 |
| Fundraising | 174,090 | - | 174,090 | 96,784 |
| Total expenses | 729,590 | - | 729,590 | 811,243 |
| Change in net assets | 2,768,564 | 57,722 | 2,826,286 | (84,732) |
| Net assets: | | | | |
| Beginning of year | 1,286,584 | 243,909 | 1,530,493 | 1,615,225 |
| End of year | \$ 4,055,148 | \$ 301,631 | \$ 4,356,779 | \$ 1,530,493 |

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
(With comparative totals for 2019)

| | Program Services | | | Supporting Services | | | |
|----------------------------------|------------------|--------------------------|------------------------------|---------------------------|------------------|---------------|---------------|
| | Research | Education and Support | Total Program Services | Management and General | Fund- Raising | 2020 Total | 2019 Total |
| Salaries and payroll taxes | \$ 9,467 | \$ 142,003 | \$ 151,470 | \$ 22,089 | \$ 142,004 | \$ 315,563 | \$ 280,218 |
| Employee benefits | 904 | 13,562 | 14,466 | 2,663 | 13,561 | 30,690 | 14,929 |
| Staff development | - | 288 | 288 | 1,755 | - | 2,043 | 2,771 |
| Total personnel expenses | 10,371 | 155,853 | 166,224 | 26,507 | 155,565 | 348,296 | 297,918 |
| Professional and consulting fees | - | 87,759 | 87,759 | 124,429 | 4,515 | 216,703 | 355,085 |
| Travel and conferences | - | 22,305 | 22,305 | 433 | - | 22,738 | 31,402 |
| Occupancy | 601 | 9,021 | 9,622 | 1,403 | 9,021 | 20,046 | 20,371 |
| Telephone | 298 | 4,474 | 4,772 | 696 | 4,474 | 9,942 | 6,312 |
| Printing | - | 23,902 | 23,902 | 7,270 | - | 31,172 | 26,313 |
| Postage | - | 6,370 | 6,370 | 7,159 | - | 13,529 | 15,721 |
| Office expenses | - | - | - | 8,826 | - | 8,826 | 1,809 |
| Bank and merchant fees | - | - | - | 17,446 | 15 | 17,461 | 18,870 |
| Depreciation | - | - | - | 659 | - | 659 | 305 |
| Insurance | - | - | - | 17,109 | - | 17,109 | 16,477 |
| Other | - | 300 | 300 | 22,309 | 500 | 23,109 | 20,660 |
| Total expenses | \$ 11,270 | \$ 309,984 | \$ 321,254 | \$ 234,246 | \$ 174,090 | \$ 729,590 | \$ 811,243 |

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(With comparative totals for 2019)

| | 2020 | 2019 |
|--|--------------|-------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 2,826,286 | \$ (84,732) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 659 | 305 |
| Stock donations | - | 65,636 |
| Net realized/unrealized gain on investments | (4,691) | (72,501) |
| (Increase) decrease in: | | |
| Prepaid expenses and deposits | 933 | 22,754 |
| Bequest receivable | (2,753,894) | 141,763 |
| Increase (decrease) in: | | |
| Accounts payable | 5,442 | (29,486) |
| Accrued personnel expenses | 13,638 | 11,236 |
| Refundable advance | 55,420 | - |
| Grants payable | - | (99,665) |
| Net cash flows from operating activities | 143,793 | (44,690) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (6,936) | (25,000) |
| Proceeds from the sale of investments | 217,251 | - |
| Purchase of investments | (270,382) | (94,075) |
| Net cash flows from investing activities | (60,067) | (119,075) |
| Net change in cash and cash equivalents | 83,726 | (163,765) |
| Cash and cash equivalents - beginning of year | 73,158 | 236,923 |
| Cash and cash equivalents - end of year | \$ 156,884 | \$ 73,158 |

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

I. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The American Tinnitus Association (ATA or the Organization) is organized to carry on and support research and education activities relating to the treatment and cure of tinnitus. ATA is the nation's foremost organization working to cure tinnitus. Headquartered in Washington D.C., ATA also promotes advocacy and public awareness to further its mission and provides a support network and resources on cause and treatment. Since 1980, ATA has funded approximately \$6 million in tinnitus research, representing over 130 research projects. The majority of the Organization's support and revenues are received from contributions and bequests.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. It excludes cash equivalents held as investments.

Investments

Investments are carried at fair value.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 5 years.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition

Contributions: Contributions are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Donated Assets and Services (Inkind Contributions): Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

The Organization 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. Donated services are measured at the fair value of the services provided.

Included in contribution revenue is unreimbursed board expenses of approximately \$6,100 in 2020 and unreimbursed board expenses of approximately \$13,900 and professional services of approximately \$22,500 in 2019. Unreimbursed board expenses and donated professional services and are reflected in their natural expense categories and allocated as follows in the statement of functional expenses for 2020 and 2019:

| | 2020 | 2019 |
|------------------------|----------|-----------|
| Program services | \$ - | \$ 20,530 |
| Management and general | 6,169 | 15,876 |
| | \$ 6,169 | \$ 36,406 |

Refundable Advance: The Paycheck Protection Program (PPP) advance guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue.

Other Revenues: Other revenues are earned as services are provided.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

The American Tinnitus Association is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state law. Any unrelated business income tax to which the Organization may be subject is estimated to be immaterial. The Organization is not a private foundation. The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and payroll taxes, employee benefits, professional and consulting fees, occupancy, office expenses, and other, which are allocated on the basis of estimates of time and effort spent across functional categories.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change.

Summarized Financial Information for 2019

The financial information as of June 30, 2019 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

The Organization has evaluated all subsequent events through November 2, 2020, the date the financial statements were available to be issued. Subsequent events, if any, are disclosed in the notes to the financial statements.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization consist of the following at June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 156,884 | \$ 73,158 |
| Investments | 1,425,268 | 1,367,446 |
| Bequests receivable | <u>2,850,524</u> | <u>96,630</u> |
| | 4,432,676 | 1,537,234 |
| Less amounts unavailable for general expenditure: | | |
| Net assets with donor restrictions | <u>301,631</u> | <u>243,909</u> |
| Financial assets available for general expenditure | <u>\$ 4,131,045</u> | <u>\$ 1,293,325</u> |

Approximately \$2.8 million of the bequests receivable was received by the issue date of this report.

3. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|-------------------|---------------------|---------------------|
| Cash equivalents | \$ 11,297 | \$ 18,767 |
| Mutual fund | 130,734 | - |
| Common stock | 661,285 | 684,445 |
| Corporate bonds | <u>621,952</u> | <u>664,234</u> |
| Total investments | <u>\$ 1,425,268</u> | <u>\$ 1,367,446</u> |

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

| | 2020 | 2019 |
|-------------------------------|-----------|-----------|
| Furniture and equipment | \$ 3,892 | \$ 3,446 |
| Computer/website | 174,609 | 174,609 |
| Website in process | 31,100 | 25,000 |
| | 209,601 | 203,055 |
| Less accumulated depreciation | 177,132 | 176,863 |
| Net property and equipment | \$ 32,469 | \$ 26,192 |

5. LEASE COMMITMENTS

The Organization leases its Virginia office under a 2-year operating lease agreement through September 2021 with escalating monthly rent ranging from \$1,390 to \$1,789. The Organization also leases storage space on a month-to-month basis.

Office and equipment lease expense approximated \$20,000 and \$20,400 for the years ended June 30, 2020 and 2019, respectively.

Approximate future minimum lease commitments under the noncancelable operating lease are as follows:

| | |
|---------------------------|-----------|
| Year ending June 30, 2021 | \$ 21,500 |
| 2022 | 5,400 |
| | \$ 26,900 |

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at June 30, 2020 and June 30, 2019:

| | 2020 | 2019 |
|--|------------|------------|
| Tinnitus research | \$ 284,235 | \$ 226,513 |
| Ila Mae Ragan Trust | 17,396 | 17,396 |
| Total net assets with donor restrictions | \$ 301,631 | \$ 243,909 |

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

7. RETIREMENT PLAN

The Organization has SIMPLE IRA plan in which employees are immediately eligible to participate and may elect to contribute an amount not to exceed certain limits. The Organization determines annually a matching or discretionary contribution amount. All contributions all fully and immediately vested. For 2020 and 2019, the Organization elected to contribute a matching contribution equal to the employees' salary reduction contribution up to a limit of 3% - 5% of employee compensation.

Total plan contributions for 2020 and 2019 approximated \$8,000 and \$5,700 respectively.

8. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in a one financial institution located in Virginia. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limits.

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

Revenues and receivables are concentrated with approximately 78% of total revenues and virtually the entire receivable balance due from one bequest as of and for year ended June 30, 2020.

9. UNCERTAINTY

The Organization has been impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. Research grant activity has been temporarily suspended due to University and Research Lab closures associated with the pandemic. The Organization continues to evaluate when to re-initiate.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2020

10. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

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

| | Fair Value | Level 1 | Level 2 |
|----------------------|---------------------|-------------------|-------------------|
| 2020 | | | |
| Mutual fund-balanced | \$ 130,734 | \$ 130,734 | \$ - |
| Common stock | 661,285 | 661,285 | - |
| Corporate bonds | 621,952 | - | 621,952 |
| | <u>\$ 1,413,971</u> | <u>\$ 792,019</u> | <u>\$ 621,952</u> |
| 2019 | | | |
| Common stock | \$ 684,445 | \$ 684,445 | \$ - |
| Corporate bonds | 664,234 | - | 664,234 |
| | <u>\$ 1,348,679</u> | <u>\$ 684,445</u> | <u>\$ 664,234</u> |

Fair values for mutual fund and common stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for investments in corporate bonds are provided by custodians and are based on pricing models that incorporate available trade, bid and other market information.