

THE AMERICAN
TINNITUS ASSOCIATION

Audited Financial Statements

For the Year Ended June 30, 2019



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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of funded research grants for the year ended June 30, 2019 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of American. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

McDonald Jacobz, P.C.

Portland, Oregon
April 14, 2020

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 73,158	\$ 236,923
Investments	1,367,446	1,266,506
Prepaid expenses and deposits	6,038	28,792
Bequest receivable	96,630	238,393
Property and equipment, net	26,192	1,497
 TOTAL ASSETS	 \$ 1,569,464	 \$ 1,772,111
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 15,371	\$ 44,857
Accrued personnel expenses	23,600	12,364
Grants payable	-	99,665
Total liabilities	38,971	156,886
Net assets:		
Without donor restrictions:		
Undesignated	1,260,392	1,499,568
Net property and equipment	26,192	1,497
Total without donor restrictions	1,286,584	1,501,065
With donor restrictions	243,909	115,657
Total net assets	1,530,493	1,615,225
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,569,464	 \$ 1,772,111

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions	\$ 454,242	\$ 45,947	\$ 500,189	\$ 537,882
Bequests	38,221	73,132	111,353	179,511
Investment income, net	96,427	-	96,427	1,277
Advertising revenue	9,344	-	9,344	7,433
Loss on disposal of equipment	-	-	-	(8,314)
Returned grant	-	9,173	9,173	-
Other income	25	-	25	1,827
	598,259	128,252	726,511	719,616
Expenses:				
Program	386,164	-	386,164	505,713
Management and general	328,295	-	328,295	355,317
Fundraising	96,784	-	96,784	159,693
Total expenses	811,243	-	811,243	1,020,723
Change in net assets	(212,984)	128,252	(84,732)	(301,107)
Net assets:				
Beginning of year	1,499,568	115,657	1,615,225	1,916,332
End of year	\$ 1,286,584	\$ 243,909	\$ 1,530,493	\$ 1,615,225

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program		Supporting Services			
	Research	Education and Support	Total Program	Management and General	Fund-Raising	Total
Salaries and payroll taxes	\$ 5,604	\$ 106,483	\$ 112,087	\$ 98,076	\$ 70,055	\$ 280,218
Employee benefits	299	5,673	5,972	5,225	3,732	14,929
Staff development	55	1,053	1,108	970	693	2,771
Total personnel expenses	5,958	113,209	119,167	104,271	74,480	297,918
Professional and consulting fees	691	185,632	186,323	160,062	8,700	355,085
Travel and conferences	-	31,402	31,402	-	-	31,402
Occupancy	2,037	11,408	13,445	4,074	2,852	20,371
Telephone	126	2,399	2,525	2,209	1,578	6,312
Printing	-	25,148	25,148	-	1,165	26,313
Postage	16	7,291	7,307	2,701	5,713	15,721
Office expenses	-	-	-	1,809	-	1,809
Bank and merchant fees	-	8	8	18,856	6	18,870
Depreciation	-	275	275	-	30	305
Insurance	-	44	44	16,428	5	16,477
Other	20	500	520	17,885	2,255	20,660
Total expenses	\$ 8,848	\$ 377,316	\$ 386,164	\$ 328,295	\$ 96,784	\$ 811,243

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

	Program		Supporting Services		Total
	Research	Education and Support	Management and General	Fund-Raising	
Salaries and payroll taxes	\$ 10,332	\$ 84,065	\$ 97,508	\$ 78,574	\$ 270,479
Employee benefits	919	7,475	8,671	6,987	24,052
Staff development	120	978	1,135	914	3,147
Total personnel expenses	<u>11,371</u>	<u>92,518</u>	<u>107,313</u>	<u>86,476</u>	<u>297,678</u>
Professional and consulting fees	19,312	109,292	144,178	41,957	314,739
Grants	99,665	-	-	-	99,665
Travel and conferences	-	44,769	1,790	-	46,559
Occupancy	3,614	20,242	7,230	5,061	36,147
Equipment rental and maintenance	2,796	4,640	14,902	1,426	23,764
Telephone	245	507	10,553	125	11,430
Printing	-	28,552	10,058	3,815	42,425
Postage	44	19,991	7,262	15,727	43,024
Office expenses	18	30	7,831	9	7,888
Bank and merchant fees	-	-	15,902	-	15,902
Depreciation	-	45,397	-	5,044	50,441
Insurance	-	-	7,444	-	7,444
Other	-	2,710	20,854	53	23,617
Total expenses	<u>\$ 137,065</u>	<u>\$ 368,648</u>	<u>\$ 505,713</u>	<u>\$ 159,693</u>	<u>\$ 1,020,723</u>

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (84,732)	\$ (301,107)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	305	50,441
Loss on sale of equipment	-	8,314
Stock donations	65,636	-
Net realized/unrealized (gain) loss on investments	(72,501)	27,308
(Increase) decrease in:		
Prepaid expenses and deposits	22,754	(9,518)
Other assets	-	-
Bequest receivable	141,763	(38,813)
Increase (decrease) in:		
Accounts payable	(29,486)	3,586
Accrued personnel expenses	11,236	(16,948)
Grants payable	(99,665)	134
Net cash flows from operating activities	(44,690)	(276,603)
Cash flows from investing activities:		
Purchase of property and equipment	(25,000)	(1,527)
Proceeds from the sale of investments	-	2,030,678
Purchase of investments	(94,075)	(1,704,658)
Net cash flows from investing activities	(119,075)	324,493
Net change in cash and cash equivalents	(163,765)	47,890
Cash and cash equivalents - beginning of year	236,923	189,033
Cash and cash equivalents - end of year	\$ 73,158	\$ 236,923

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. 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.

THE AMERICAN TINNITUS ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 June 30, 2019

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

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.

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 \$13,900 and professional services of \$22,500 in 2019 and unreimbursed board expenses of approximately \$10,500 and professional services of approximately \$2,700 in 2018. Unreimbursed board expenses and donated professional services and are reflected in their natural expense category and allocated as follows in the statement of functional expenses for 2019 and 2018:

	2019	2018
Program services	\$ 20,530	\$ 25,720
Management and general	15,876	9,900
Fundraising	-	3,960
	\$ 36,406	\$ 39,580

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

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 (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The principle has been applied retrospectively to all periods presented, except for available resources and liquidity (see Note 2).

Summarized Financial Information for 2018

The financial information as of June 30, 2018 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, 2019

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

Subsequent Events

The Organization has evaluated all subsequent events through April 14, 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, 2019:

	Total Financial Assets	With Donor Restrictions	Available for General Expenditure
Cash and cash equivalents	\$ 73,158	\$ -	\$ 73,158
Investments	1,367,446	182,653	1,184,793
Bequest receivable	<u>96,630</u>	<u>61,256</u>	<u>35,374</u>
	<u>\$ 1,537,234</u>	<u>\$ 243,909</u>	<u>\$ 1,293,325</u>

3. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 18,767	\$ 13,168
Common stock	684,445	624,221
Corporate bonds	<u>664,234</u>	<u>629,117</u>
Total investments	<u>\$ 1,367,446</u>	<u>\$ 1,266,506</u>

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019 and 2018:

	2019	2018
Furniture and equipment	\$ 3,446	\$ 3,446
Computer/website	174,609	174,609
Website in process	25,000	-
	203,055	178,055
Less accumulated depreciation	176,863	176,558
Net property and equipment	\$ 26,192	\$ 1,497

5. LEASE COMMITMENTS

The Organization leases its Virginia office under a 2-year operating lease agreement through September 2021 with monthly rent of \$1,390. The Organization leases storage space on a month to month basis and previously leased office space in Oregon through January 2018.

Office and equipment lease expense approximated \$20,400 and \$52,800 for the years ended June 30, 2019 and 2018, respectively.

Approximate future minimum lease commitments under operating leases are as follows:

Year ending June 30, 2020	\$ 16,900
2021	16,700
2022	4,200
	\$ 37,800

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Tinnitus research	\$ 226,513	\$ 109,826
Wichita Kansas support groups	17,396	5,831
Total net assets with donor restrictions	\$ 243,909	\$ 115,657

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 2019 and 2018, 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 2019 and 2018 approximated \$5,700 and \$7,100 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. Cash balances in excess of insured limits were approximately at \$33,700 at June 30, 2018.

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.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

9. 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, 2019 and 2018 are:

	Fair Value	Level 1
2019		
Common stock	\$ 684,445	\$ 684,445
Corporate bonds	<u>664,234</u>	<u>664,234</u>
	<u>\$ 1,348,679</u>	<u>\$ 1,348,679</u>
2018		
Common stock	\$ 624,221	\$ 624,221
Corporate bonds	<u>629,117</u>	<u>629,117</u>
	<u>\$ 1,253,338</u>	<u>\$ 1,253,338</u>

Fair values for common stocks and corporate bonds are determined by reference to quoted market prices and other relevant information generated by market transactions.

SUPPLEMENTAL INFORMATION

THE AMERICAN TINNITUS ASSOCIATION
SUPPLEMENTAL INFORMATION - UNAUDITED
Schedule of Funded Research Grants
For the year ended June 30, 2019

	<u>Beginning Grants Payable</u>	<u>Grants Committed in 2019</u>	<u>Grants Paid in 2019</u>	<u>Ending Grants Payable</u>
University of Michigan Ann Arbor, Michigan	\$ 50,000	\$ -	\$ (50,000)	\$ -
University of Montreal Montreal, Canada	<u>49,665</u>	<u>-</u>	<u>(49,665)</u>	<u>-</u>
Total funded research grants	<u>\$ 99,665</u>	<u>\$ -</u>	<u>\$ (99,665)</u>	<u>\$ -</u>

See independent auditor's report.