

**THE AMERICAN TINNITUS
ASSOCIATION**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2015**



MCDONALD JACOBS



INDEPENDENT AUDITOR'S REPORT

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Mary Strasdin, CPA
Shareholder

Jill Oswald
Shareholder

Anthony Almer, CPA
Principal

Tyee Carr, CPA
Principal

Jake Jacobs, CPA
of counsel

Susan J. Marks, CPA
of counsel

Dennis C. Johnson, CPA
of counsel

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, 2015, 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, 2015, and changes in its net assets and its cash flows for the year then ended in conformity 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 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, 2015 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and accordingly, we express no opinion on it.

McDonald Jacobz, P.C.

October 24, 2015
Portland, Oregon

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
June 30, 2015
(With comparative totals for 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 299,980	\$ 283,251
Investments	398,292	364,359
Bequest receivable	115,889	-
Prepaid expenses	12,096	12,781
Inventory	-	2,565
Property and equipment, net	176,539	39,016
 TOTAL ASSETS	 \$ 1,002,796	 \$ 701,972
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 15,595	\$ 5,855
Accrued personnel expenses	828	7,014
Grants payable	3,500	-
Total liabilities	19,923	12,869
Net assets:		
Unrestricted	644,280	321,571
Temporarily restricted	338,593	367,532
Total net assets	982,873	689,103
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,002,796	 \$ 701,972

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015
(With comparative totals for 2014)

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions	\$ 837,719	\$ 34,537	\$ 872,256	\$ 854,619
Combined Federal Campaign	15,926	-	15,926	19,634
Bequests	125,470	-	125,470	7,498
Investment income	10,154	-	10,154	56,653
Advertising revenue	23,585	-	23,585	30,996
Inkind contributions	5,005	-	5,005	6,220
Other income	6,031	-	6,031	18,124
	1,023,890	34,537	1,058,427	993,744
Net assets released from restrictions:				
Satisfaction of purpose restrictions	63,476	(63,476)	-	-
Total support and revenue	1,087,366	(28,939)	1,058,427	993,744
Expenses:				
Program	426,900	-	426,900	409,049
Management and general	126,144	-	126,144	83,963
Fundraising	211,613	-	211,613	211,749
Total expenses	764,657	-	764,657	704,761
Change in net assets before write-off	322,709	(28,939)	293,770	288,983
Loss on inventory write-off	-	-	-	(15,294)
Change in net assets	322,709	(28,939)	293,770	273,689
Net assets:				
Beginning of year	321,571	367,532	689,103	415,414
End of year	\$ 644,280	\$ 338,593	\$ 982,873	\$ 689,103

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015
(With comparative totals for 2014)

	Program			Supporting Services			2014 Total
	Education and Advocacy	Research	Support	Total Program	Management and General	Fund- Raising	
Salaries and payroll taxes	\$ 58,863	\$ 52,999	\$ 56,941	\$ 168,803	\$ 40,535	\$ 111,094	\$ 320,432
Employee benefits	7,071	6,368	6,841	20,280	4,870	13,346	38,496
Staff development	304	272	294	870	208	577	1,655
Total personnel expenses	<u>66,238</u>	<u>59,639</u>	<u>64,076</u>	<u>189,953</u>	<u>45,613</u>	<u>125,017</u>	<u>360,583</u>
Advertising	189	33	35	257	25	69	351
Audit and legal fees	-	-	-	-	59,450	-	59,450
Board expenses	-	-	-	-	533	-	533
Consulting fees:							
Organizational	43,556	2,804	3,012	49,372	2,144	5,876	57,392
Computer	1,633	1,470	2,633	5,736	1,124	3,081	9,941
Grants	-	63,476	-	63,476	-	-	63,476
Insurance	1,630	489	1,141	3,260	783	2,146	6,189
Office expenses	1,787	536	1,251	3,574	858	2,505	6,937
Postage	6,253	1,876	4,377	12,506	268	16,866	29,640
Printing	17,046	5,114	11,932	34,092	518	14,460	49,070
Occupancy	9,995	2,998	6,996	19,989	4,800	13,155	37,944
Equipment rental and maintenance	2,641	792	1,849	5,282	1,268	3,476	10,026
Telephone	2,736	821	1,915	5,472	1,314	3,601	10,387
Travel and conferences	7,181	2,154	5,027	14,362	2,759	7,855	24,976
Bank and merchant fees	5,709	1,713	3,996	11,418	2,741	7,579	21,738
Depreciation	2,938	881	2,056	5,875	1,408	3,864	11,147
Other	1,139	342	795	2,276	538	2,063	4,877
Total expenses	<u>\$ 170,671</u>	<u>\$ 145,138</u>	<u>\$ 111,091</u>	<u>\$ 426,900</u>	<u>\$ 126,144</u>	<u>\$ 211,613</u>	<u>\$ 764,657</u>
							<u>\$ 704,761</u>

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015
(With comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 293,770	\$ 273,689
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,147	1,552
Stock donations	(18,709)	-
Net realized/unrealized (gain) loss on investments	9,861	(53,280)
Write-off of inventory	2,565	15,294
(Increase) decrease in:		
Accounts receivable	-	21,971
Bequest receivable	(115,889)	-
Prepaid expenses	685	(2,551)
Inventory	-	(5,914)
Increase (decrease) in:		
Accounts payable	9,740	(13,499)
Accrued personnel expenses	(6,186)	(35,848)
Grants payable	<u>3,500</u>	<u>(50,000)</u>
Net cash provided by operating activities	<u>190,484</u>	<u>151,414</u>
Cash flows from investing activities:		
Purchase of property and equipment	(148,670)	(36,732)
Proceeds from the sale of investments	70,916	96,351
Purchase of investments	<u>(96,001)</u>	<u>(4,817)</u>
Net cash provided by (used in) investing activities	<u>(173,755)</u>	<u>54,802</u>
Net increase in cash and cash equivalents	16,729	206,216
Cash and cash equivalents - beginning of year	<u>283,251</u>	<u>77,035</u>
Cash and cash equivalents - end of year	<u>\$ 299,980</u>	<u>\$ 283,251</u>

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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. 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 \$5.7 million in tinnitus research, representing over 120 research projects.

The majority of the Organization's support and revenues are received from contributions and bequests.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

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 10 years.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

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

Restricted and Unrestricted Revenue and Support

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.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 unrestricted support 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.

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. Accordingly, no provision for income taxes has been recorded. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic 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.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

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

Income Tax Status, Continued

The Organization's information returns for years ended June 30, 2011 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Advertising Costs

The Organization uses advertising to promote awareness of its mission and programs. Advertising costs are expensed as occurred. Advertising costs consist of paid advertising and in-kind advertising.

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.

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.

Summarized Financial Information for 2014

The financial information as of June 30, 2014 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

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

Subsequent Events

The Organization has evaluated all subsequent events through October 24, 2015, the date the financial statements were available to be issued. Subsequent events, if any, are disclosed in the notes to the financial statements.

2. INVESTMENTS

Investments are carried at fair value and consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash equivalents	\$ 53,694	\$ 54,974
Mutual funds	313,624	309,385
Stocks	<u>30,974</u>	<u>-</u>
Total investments	<u>\$ 398,292</u>	<u>\$ 364,359</u>

Investment income is as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 20,015	\$ 3,373
Realized gain (loss) on sale of investments	(6,694)	930
Unrealized gain (loss)	<u>(3,167)</u>	<u>52,350</u>
Total investment income	<u>\$ 10,154</u>	<u>\$ 56,653</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 28,381	\$ 17,095
Leasehold improvements	1,443	-
Computer/website	<u>171,409</u>	<u>36,732</u>
	201,233	53,827
Less accumulated depreciation	<u>24,694</u>	<u>14,811</u>
Net property and equipment	<u>\$ 176,539</u>	<u>\$ 39,016</u>

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

4. LEASE COMMITMENTS

The Organization leases its office under a 5-year operating lease agreement through January 2018. Monthly rent is \$2,947 per month with scheduled increases. The Organization also leases office equipment for \$811 per month under operating lease agreements expiring at various dates through February 2018 and rents storage space on a month-to-month basis. Office and equipment lease expense approximated \$49,000 and \$47,400 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease commitments under operating leases are as follows:

Year ending June 30, 2016	\$	44,900
2017		44,700
2018		<u>25,700</u>
		<u>\$ 115,300</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 and 2014 are restricted for use in research programs.

6. RETIREMENT PLAN

The Organization had a retirement savings plan for its employees under IRC Sec. 401(k). Employees who were age 18 and provided 6 months of service were eligible to participate. The Organization matched 100% of an elective contribution up to 2.5% of compensation with a six-year vesting period of 20% each year after the first year. This plan was suspended during 2015.

In 2015, the Organization began a SIMPLE IRA plan. 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 are fully and immediately vested. For 2015, the Organization elected to contribute a matching contribution equal to the employees' salary reduction contribution up to a limit of 3% of employee compensation. Total plan contributions for 2015 and 2014 approximated \$11,300 and \$1,100 respectively.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

7. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in a financial institution located in Portland, Oregon. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limits. Balances were fully insured at June 30, 2015 and 2014.

Additionally, in 2015, approximately 20% of the Organization's revenue came from two donors (13% from two donors in 2014).

8. 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.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2015

8. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2015 and 2014 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
2015		
Mutual funds:		
Small cap value	\$ 12,115	\$ 12,115
Mid cap value	29,031	29,031
Large cap value	125,835	125,835
Money fund	5,790	5,790
Foreign large growth	39,961	39,961
Small cap growth	9,754	9,754
Mid cap growth	9,615	9,615
Income fund	22,673	22,673
Large cap growth	58,850	58,850
Stocks	<u>30,974</u>	<u>30,974</u>
	<u>\$ 344,598</u>	<u>\$ 344,598</u>
2014		
Mutual funds:		
Small cap value	\$ 12,760	\$ 12,760
Mid cap value	30,548	30,548
Large cap value	130,832	130,832
Money fund	5,112	5,112
Intermediate bond	20,865	20,865
Foreign large growth	34,885	34,885
Small cap growth	9,717	9,717
Mid cap growth	9,611	9,611
Large cap growth	<u>55,055</u>	<u>55,055</u>
	<u>\$ 309,385</u>	<u>\$ 309,385</u>

Fair values for mutual funds 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, 2015

	<u>Beginning Grants Payable</u>	<u>Grants Committed in 2015</u>	<u>Grants Paid in 2015</u>	<u>Ending Grants Payable</u>
Cleveland Clinic c/o Dr. Kaltenbach Cleveland, OH	\$ -	\$ 50,000	\$ (50,000)	\$ -
Argosy University c/o Benjamin Greenberg Alameda, CA	-	3,500	-	3,500
University of South Florida c/o Andrea Shawn Lowe Orlando, FL	<u>-</u>	<u>9,976</u>	<u>(9,976)</u>	<u>-</u>
Total funded research grants	<u>\$ -</u>	<u>\$ 63,476</u>	<u>\$ (59,976)</u>	<u>\$ 3,500</u>

See independent auditor's report.