

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE**

**CONSOLIDATED FINANCIAL REPORT**

**September 30, 2021**

# 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, 2021, and the related consolidated statement 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, 2021, 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.

A handwritten signature in black ink that reads "Dembo Jones, P.C." with a period at the end. The signature is written in a cursive, flowing style.

*North Bethesda, Maryland*

*March 10, 2022*

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
September 30, 2021**

**Assets**

Cash and cash equivalents	\$ 1,979,706
Accounts receivable, net	9,837
Prepaid expenses	260,699
Investments, at fair value	7,196,050
Property and equipment, net	421,182
Security deposit	<u>62,793</u>
 Total assets	 <u><u>\$ 9,930,267</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 200,311
Deferred revenue	875,735
Deferred lease incentive and deferred rent	<u>413,969</u>
 Total liabilities	 <u><u>1,490,015</u></u>

**Net Assets**

Without donor restrictions	
Undesignated	7,883,496
Board designated	<u>45,918</u>
Total without donor restrictions	7,929,414
With donor restrictions	<u>510,838</u>
Total net assets	<u><u>8,440,252</u></u>
 Total liabilities and net assets	 <u><u>\$ 9,930,267</u></u>

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

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support</b>			
Products and services			
Membership	\$ 2,444,352	\$ -	\$ 2,444,352
AAA meetings	994,126	-	994,126
Communications	677,298	-	677,298
Continuing education	387,043	-	387,043
Board certification - ABA	238,281	-	238,281
Special events	2,900	-	2,900
Contributions			
Contributions	46,505	91,994	138,499
Other income			
Investment return	<u>876,835</u>	<u>18,438</u>	<u>895,273</u>
Total revenue and support before release of restrictions	<u>5,667,340</u>	<u>110,432</u>	<u>5,777,772</u>
Net assets released from restrictions	<u>120,804</u>	<u>(120,804)</u>	<u>-</u>
Total revenue and support	<u>5,788,144</u>	<u>(10,372)</u>	<u>5,777,772</u>
<b>Expenses</b>			
Program Services			
Annual Meeting and Expo	1,076,333	-	1,076,333
Membership	1,306,961	-	1,306,961
Advocacy	587,197	-	587,197
Education	444,345	-	444,345
Student programs	323,844	-	323,844
Governance	250,171	-	250,171
Certification	<u>185,859</u>	<u>-</u>	<u>185,859</u>
Total program services	<u>4,174,710</u>	<u>-</u>	<u>4,174,710</u>
Supporting services			
Management and general	427,631	-	427,631
Fundraising	<u>1,141</u>	<u>-</u>	<u>1,141</u>
Total supporting services	<u>428,772</u>	<u>-</u>	<u>428,772</u>
Total expenses	<u>4,603,482</u>	<u>-</u>	<u>4,603,482</u>
<b>Change in net assets</b>	<u>1,184,662</u>	<u>(10,372)</u>	<u>1,174,290</u>
<b>Net assets, beginning of year</b>	<u>6,744,752</u>	<u>521,210</u>	<u>7,265,962</u>
<b>Net assets, end of year</b>	<u>\$ 7,929,414</u>	<u>\$ 510,838</u>	<u>\$ 8,440,252</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, 2021**

	<u>Program Services</u>							<u>Supporting Services</u>				<u>Total</u>
	<u>Membership</u>	<u>Annual Meeting and Expo</u>	<u>Education</u>	<u>Certification</u>	<u>Advocacy</u>	<u>Student Programs</u>	<u>Governance</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support</u>	
Salaries and benefits	\$ 620,163	\$ 547,648	\$ 219,053	\$ 125,994	\$ 278,646	\$ 192,951	\$ 212,949	\$ 2,197,404	\$ 390,542	\$ -	\$ 390,542	\$ 2,587,946
Professional services and fees	309,649	271,565	38,367	16,092	180,679	83,120	1,486	900,958	135,764	1,141	136,905	1,037,863
Representation and alliance	-	-	25,508	-	-	1,850	8,180	35,538	-	-	-	35,538
Office and occupancy	91,221	41,634	4,745	9,326	30,949	1,240	2,051	181,166	465,293	-	465,293	646,459
Scholarship and awards	753	12,543	86,123	-	-	23,927	25,455	148,801	-	-	-	148,801
Depreciation and amortization	-	-	-	-	-	-	-	-	135,985	-	135,985	135,985
PAC	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	10,000	-	-	840	-	50	10,890	-	-	-	10,890
Total expenses before allocations to programs	1,021,786	883,390	373,796	151,412	491,114	303,088	250,171	3,474,757	1,127,584	1,141	1,128,725	4,603,482
Overhead allocations	285,175	192,943	70,549	34,447	96,083	20,756	-	699,953	(699,953)	-	(699,953)	-
Total expenses after allocations to programs	\$ 1,306,961	\$ 1,076,333	\$ 444,345	\$ 185,859	\$ 587,197	\$ 323,844	\$ 250,171	\$ 4,174,710	\$ 427,631	\$ 1,141	\$ 428,772	\$ 4,603,482

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

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
Year Ended September 30, 2021**

**Cash flows from operating activities:**

Change in net assets	\$ 1,174,290
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization expense	135,985
Bad debt expense recovery	(15,045)
Net realized and unrealized gains on investments	(748,343)
(Increase) decrease in assets:	
Accounts receivable	98,136
Prepaid expenses	(25,920)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(160,838)
Deferred revenue	(511,436)
Deferred lease incentive and deferred rent	(44,401)
Net cash used in operating activities	<u>(97,572)</u>

**Cash flows from investing activities:**

Purchase of investments	(146,930)
Proceeds from sale of investments	749,999
Payment for purchase of fixed assets	<u>(76,243)</u>
Net cash provided by investing activities	<u>526,826</u>

<b>Net increase in cash and cash equivalents</b>	429,254
<b>Cash and cash equivalents, beginning of year</b>	<u>1,550,452</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,979,706</u></u>

*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, 2021**

**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 certification body within the legal corporate structure of the Academy in a self-directed manner with respect to certification 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, the Foundation and the AAA-PAC, 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.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021**

**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.

***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 at September 30, 2021.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2021**

**Note 2. Summary of Significant Accounting Policies (continued)**

***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.

***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 \$ 135,985 for the year ended September 30, 2021.

***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.

***Contributions***

Contributions are recognized as revenue in the period received or when a promise to give is made, not in the year in which the cash is received. Unconditional promises to give that have not been received by the statement of financial position date are reported at fair value as increases in net assets with donor restrictions and reclassified to net assets without donor restrictions when the purpose and time restrictions are met. Conditional promises to give are not recognized until they become unconditional, which is when the conditions are substantially met. Promises to give subject to donor-imposed stipulations that the principal be maintained in perpetuity, are recognized as increases in, and will remain as, net assets with donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021**

**Note 2. Summary of Significant Accounting Policies (continued)**

***Revenue Recognition***

**Membership** - Membership dues include access to a multitude of benefits. Access to these benefits is voluntary and can occur during the membership period and are treated as part of the membership itself, rather than multiple performance obligations. The Academy recognizes revenue over the membership period, which falls on the calendar year.

For membership-based revenue recognized over time, the straight-line method is used to allocate the performance obligations over the performance measurement period. The Academy determined that this method provides a faithful depiction of the transfer of goods or services because the customer is required to pay regardless of how frequently the product or membership benefits are used, and the Academy stands ready to make its goods or services available to the customer on a constant basis over the contract period.

**AAA Meetings and Special Events** - Revenue is derived from the Annual Meeting through sponsorships, exhibitors and registration fees. This revenue is recognized as exchange transactions and is recognized at a point in time when the event takes place and performance obligations are fulfilled. Sponsorship, exhibit and registration fees received prior to the presentation are recognized as deferred income.

**Communications** - The Academy recognizes communication revenue from subscriptions/royalties, and advertising.

Subscriptions and royalty revenue consists of magazine and journal subscriptions and corresponding royalty contracts from its publishers. Revenue generated from sales of subscriptions and royalties is recognized when the goods are shipped, or access is granted thereby satisfying the performance obligation at a point in time.

The Academy has contracts with various vendors to provide advertising and promotional services, which may have multiple performance obligations. The Academy allocates the transaction price of these contracts based on the fair market value of the individual performance obligations. Revenue is recognized over time or at a point in time depending on the nature of the performance obligations of each specific contract. For all contracts where revenue is recognized over time, management has estimated that services are provided evenly throughout the contract period and are recognized on a straight-line basis over the life of the contract.

**Continuing Education** - Revenue is derived from the Academy delivering education, learning products and services, such as continual education classes, events, seminars and meetings through approved CE providers. CE revenue is an exchange transaction and recognized at a point in time when the event takes place, or the services are provided to the Academy's customers, and performance obligations are fulfilled. Registration fees received prior to the presentation are recognized as deferred income.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021**

**Note 2. Summary of Significant Accounting Policies (continued)**

***Revenue Recognition (continued)***

**Board Certification - ABA** - Revenue is derived from the American Academy of Audiology performing certification, approval, and recognition services. Revenue is recognized at a point in time when the evaluation takes place and performance obligations are fulfilled.

***Disaggregation of Revenue***

The Academy's products and services revenue are recognized over time or at a point in time based on the performance obligations of each contract. Various economic factors affect revenues and cash flows. Substantially all customers are in the United States.

The following table disaggregates the Academy's revenue based on the timing of satisfaction of performance obligations for the period ending September 30, 2021:

	2021		Total
	Products and Services Transferred Over Time	Products and Services Transferred at a Point in Time	
Membership	\$ 2,444,352	\$ -	\$ 2,444,352
AAA meetings	-	994,126	994,126
Communications	-	677,298	677,298
Continuing education	-	387,043	387,043
Board certification – ABA	-	238,281	238,281
Special events	-	2,900	2,900
<b>Total</b>	<b><u>\$ 2,444,352</u></b>	<b><u>\$ 2,299,648</u></b>	<b><u>\$ 4,744,000</u></b>

***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 administrative, scholarship and other expenses are allocated directly to the program for which they are incurred.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2021**

**Note 2. Summary of Significant Accounting Policies (continued)**

*Subsequent Events*

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 10, 2022, the date the consolidated financial statements were available to be issued.

**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, 2021, were as follows:

Cash and cash equivalents	\$ 1,979,706
Investments	7,196,050
Accounts receivable	9,837
Less:	
Net assets without donor restrictions – Board Designated	45,918
Net assets with donor restrictions	<u>510,838</u>
	<u>\$ 8,628,837</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.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2021**

**Note 5. 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, 2021.

***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, 2021**

**Note 5. 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.

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, 2021:

<b><u>Assets at Fair Value as of September 30, 2021</u></b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 1,368,950	\$ -	\$ -	\$ 1,368,950
Fixed income	1,720,638	-	-	1,720,638
Exchange traded funds:				
Equity	2,013,512	-	-	2,013,512
Stocks	337,888	-	-	337,888
Certificates of deposit	-	503,335	-	503,335
Money market funds	-	1,251,727	-	1,251,727
<b>Total investments</b>	<b><u>\$ 5,440,987</u></b>	<b><u>\$ 1,755,062</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,196,050</u></b>



**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021**

**Note 5. Investments and Fair Value Measurements (continued)**

Investment return consists of the following for the year ended September 30, 2021:

Interest and dividend income	\$ 174,008
Investment management fees	(27,078)
Net realized and unrealized gains on investments	<u>748,343</u>
Total investment return	<u>\$ 895,273</u>

**Note 6. Property and Equipment**

Property and equipment consists of the following at September 30, 2021:

Office equipment and computer software	\$ 420,619
Furniture	174,530
Leasehold improvements	<u>741,321</u>
Total property and equipment	1,336,470
Less: accumulated depreciation and amortization	<u>(915,288)</u>
Property and equipment, net	<u>\$ 421,182</u>

**Note 7. Board Designated Net Assets**

Board designated net assets at September 30, 2021 consist of \$ 45,918, for scholarships.

During the year ended September 30, 2021, there were no releases from board designated net assets to undesignated net assets.

**Note 8. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following at September 30, 2021:

Education	\$ 9,770
Research	3,315
M. Downs' lecture	21,089
Memorial scholarships	44,008
Student research forum	5,430
Student focused projects (SAA)	13,007
NAFDA SAA fund	119,820
Hearing loss/music industry	23,523
Member assistance program	6,270
AAA-PAC	228,034
Tinnitus lecture	8,610
Jerry northern scholarship	5,300
Future Leaders of Audiology	<u>22,662</u>
Total net assets with donor restrictions	<u>\$ 510,838</u>

During the year ended September 30, 2021, \$ 120,804 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, 2021**

**Note 9. 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.

*Office Space Lease*

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

2022	\$ 362,926
2023	372,906
2024	383,161
2025	393,698
2026	404,525
Thereafter	<u>592,384</u>
Future minimum lease payments	<u>\$ 2,509,600</u>

Office rent expense for the year ended September 30, 2021, was \$ 279,812.

*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.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2021**

**Note 10. 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 \$ 57,216 to the retirement plan for the year ended September 30, 2021.

**Note 11. Affiliated Organization**

The Academy provides support to the Accreditation Commission for Audiology Education (ACAE), an affiliated organization. For the year ended September 30, 2021, the Academy provided \$ 25,508 in contributions and other support to ACAE to support its mission.

**Note 12. 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 year ended September 30, 2021.

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, 2021, 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.

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2021**

**Note 13. 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 14. 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, 2021, and our report thereon dated March 10, 2022, 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  
March 10, 2022*

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
September 30, 2021**

	<u>Academy</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,952,785	\$ 26,921	\$ -	\$ 1,979,706
Accounts receivable, net	49,897	-	(40,060)	9,837
Prepaid expenses	260,699	-	-	260,699
Investments, at fair value	6,254,623	941,427	-	7,196,050
Property and equipment, net	421,182	-	-	421,182
Security deposit	62,793	-	-	62,793
Total assets	<u>\$ 9,001,979</u>	<u>\$ 968,348</u>	<u>\$ (40,060)</u>	<u>\$ 9,930,267</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 196,612	\$ 43,759	\$ (40,060)	\$ 200,311
Deferred revenue	858,635	17,100	-	875,735
Deferred lease incentive and deferred rent	413,969	-	-	413,969
Total liabilities	1,469,216	60,859	(40,060)	1,490,015
<b>Net Assets</b>				
Without donor restrictions				
Undesignated	7,304,729	578,767	-	7,883,496
Board-designated	-	45,918	-	45,918
Total without donor restrictions	7,304,729	624,685	-	7,929,414
With donor restrictions	228,034	282,804	-	510,838
Total net assets	7,532,763	907,489	-	8,440,252
Total liabilities and net assets	<u>\$ 9,001,979</u>	<u>\$ 968,348</u>	<u>\$ (40,060)</u>	<u>\$ 9,930,267</u>

*See independent auditors' report on supplementary information.*

**AMERICAN ACADEMY OF AUDIOLOGY AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2021**

	Academy		Foundation		Eliminations		Total	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>Revenue and Support</b>								
Products and services								
Membership	\$ 2,444,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,444,352	\$ -
AAA meetings	994,126	-	-	-	-	-	994,126	-
Communications	710,395	-	-	-	(33,097)	-	677,298	-
Continuing education	387,043	-	-	-	-	-	387,043	-
Board certification - ABA	238,281	-	-	-	-	-	238,281	-
Special events	-	-	2,900	-	-	-	2,900	-
Contributions								
Contributions	-	14,994	46,505	77,000	-	-	46,505	91,994
Other income								
Investment return	767,034	-	109,801	18,438	-	-	876,835	18,438
Other income	18,881	-	-	-	(18,881)	-	-	-
Total revenue and support before release of restrictions	<u>5,560,112</u>	<u>14,994</u>	<u>159,206</u>	<u>95,438</u>	<u>(51,978)</u>	<u>-</u>	<u>5,667,340</u>	<u>110,432</u>
Net assets released from restrictions	-	-	120,804	(120,804)	-	-	120,804	(120,804)
Total revenue and support	<u>5,560,112</u>	<u>14,994</u>	<u>280,010</u>	<u>(25,366)</u>	<u>(51,978)</u>	<u>-</u>	<u>5,788,144</u>	<u>(10,372)</u>
<b>Expenses</b>								
Program Activities								
Annual Meeting	1,076,333	-	-	-	-	-	1,076,333	-
Membership	1,340,058	-	-	-	(33,097)	-	1,306,961	-
Advocacy	587,197	-	-	-	-	-	587,197	-
Education	388,529	-	63,316	-	(7,500)	-	444,345	-
Student programs	268,821	-	57,523	-	(2,500)	-	323,844	-
Governance	249,820	-	351	-	-	-	250,171	-
Certification	185,859	-	-	-	-	-	185,859	-
Total program services	<u>4,096,617</u>	<u>-</u>	<u>121,190</u>	<u>-</u>	<u>(43,097)</u>	<u>-</u>	<u>4,174,710</u>	<u>-</u>
Supporting services								
Administrative expenses	385,566	-	42,065	-	-	-	427,631	-
Fundraising	-	-	10,022	-	(8,881)	-	1,141	-
Total supporting services	<u>385,566</u>	<u>-</u>	<u>52,087</u>	<u>-</u>	<u>(8,881)</u>	<u>-</u>	<u>428,772</u>	<u>-</u>
Total expenses	<u>4,482,183</u>	<u>-</u>	<u>173,277</u>	<u>-</u>	<u>(51,978)</u>	<u>-</u>	<u>4,603,482</u>	<u>-</u>
<b>Change in net assets</b>	<u>1,077,929</u>	<u>14,994</u>	<u>106,733</u>	<u>(25,366)</u>	<u>-</u>	<u>-</u>	<u>1,184,662</u>	<u>(10,372)</u>
<b>Net assets, beginning of the year</b>	<u>6,226,800</u>	<u>213,040</u>	<u>517,952</u>	<u>308,170</u>	<u>-</u>	<u>-</u>	<u>6,744,752</u>	<u>521,210</u>
<b>Net assets, end of year</b>	<u>\$ 7,304,729</u>	<u>\$ 228,034</u>	<u>\$ 624,685</u>	<u>\$ 282,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,929,414</u>	<u>\$ 510,838</u>

*See independent auditors' report on supplementary information.*