



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2022 and 2021

ST. JOSEPH INSTITUTE FOR THE DEAF

CONTENTS

	Page
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-21



Independent Auditor's Report

Board of Directors
St. Joseph Institute for the Deaf

Opinion

We have audited the accompanying financial statements of St. Joseph Institute for the Deaf, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Joseph Institute for the Deaf as of June 30, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Joseph Institute for the Deaf and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Joseph Institute for the Deaf's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 St. Joseph Institute for the Deaf's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Joseph Institute for the Deaf's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
November 17, 2022

ST. JOSEPH INSTITUTE FOR THE DEAF

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 1,642,655	\$ 1,227,752
Investments	3,800,614	2,557,086
Investments - held for endowment	763,753	857,730
Beneficial interest in perpetual trust	141,465	169,398
Tuition and fees receivable, net	425,199	434,054
Promises to give, net	817,234	916,341
Prepaid expenses and other current assets	34,686	9,379
Property and equipment, net	<u>421,525</u>	<u>456,455</u>
TOTAL ASSETS	<u><u>\$ 8,047,131</u></u>	<u><u>\$ 6,628,195</u></u>
 LIABILITIES		
Accounts payable	\$ 79,265	\$ 93,882
Accrued expenses	197,579	215,484
Refundable advance	430,484	
Total Liabilities	<u>707,328</u>	<u>309,366</u>
 NET ASSETS		
Without donor restrictions		
Undesignated	5,043,787	4,196,721
Board designated	218,007	244,832
With donor restrictions	<u>2,078,009</u>	<u>1,877,276</u>
Total Net Assets	<u>7,339,803</u>	<u>6,318,829</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,047,131</u></u>	<u><u>\$ 6,628,195</u></u>

See accompanying notes.

ST. JOSEPH INSTITUTE FOR THE DEAF

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Program Revenue:						
Tuition, therapy, and fees	\$ 2,280,906		\$ 2,280,906	\$ 2,125,721		\$ 2,125,721
Audiology	102,157		102,157	95,859		95,859
iHear	141,943		141,943	149,139		149,139
Total Program Revenue	<u>2,525,006</u>		<u>2,525,006</u>	<u>2,370,719</u>		<u>2,370,719</u>
Contributed Revenue:						
Contributions and grants	1,221,248	\$ 1,222,709	2,443,957	983,568	\$ 1,345,584	2,329,152
Fundraising revenue, net of direct benefits to donors	227,359		227,359	309,650		309,650
Contributed nonfinancial assets	9,972		9,972	3,246		3,246
Total Contributed Revenue	<u>1,458,579</u>	<u>1,222,709</u>	<u>2,681,288</u>	<u>1,296,464</u>	<u>1,345,584</u>	<u>2,642,048</u>
Other Revenues:						
Supplies sales, net	16,411		16,411	17,326		17,326
Investment return, net	(493,946)	(67,150)	(561,096)	435,659	95,045	530,704
Change in value of beneficial interest in perpetual trust		(27,933)	(27,933)		26,469	26,469
Miscellaneous other revenue	27,566		27,566	2,617		2,617
Total Other Revenues	<u>(449,969)</u>	<u>(95,083)</u>	<u>(545,052)</u>	<u>455,602</u>	<u>121,514</u>	<u>577,116</u>
Total Revenue	3,533,616	1,127,626	4,661,242	4,122,785	1,467,098	5,589,883
Net assets released from donor restrictions	<u>926,893</u>	<u>(926,893)</u>		<u>567,000</u>	<u>(567,000)</u>	
Total Revenue	<u>4,460,509</u>	<u>200,733</u>	<u>4,661,242</u>	<u>4,689,785</u>	<u>900,098</u>	<u>5,589,883</u>
EXPENSES						
Program services	2,880,850		2,880,850	2,416,675		2,416,675
Management and general	487,759		487,759	438,345		438,345
Fundraising	271,659		271,659	289,607		289,607
Total Expenses	<u>3,640,268</u>		<u>3,640,268</u>	<u>3,144,627</u>		<u>3,144,627</u>
INCREASE IN NET ASSETS	820,241	200,733	1,020,974	1,545,158	900,098	2,445,256
NET ASSETS						
Beginning of Year	<u>4,441,553</u>	<u>1,877,276</u>	<u>6,318,829</u>	<u>2,896,395</u>	<u>977,178</u>	<u>3,873,573</u>
End of Year	<u>\$ 5,261,794</u>	<u>\$ 2,078,009</u>	<u>\$ 7,339,803</u>	<u>\$ 4,441,553</u>	<u>\$ 1,877,276</u>	<u>\$ 6,318,829</u>

See accompanying notes.

ST. JOSEPH INSTITUTE FOR THE DEAF

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 2,137,841	\$ 231,632	\$ 211,457	\$ 2,580,930
Rent expense	213,661	20,136	4,950	238,747
Professional fees	144,910	155,827	9,277	310,014
Network and telephone	99,977	6,532	6,781	113,290
Training, conferences and travel	29,496	32,150	1,947	63,593
Equipment repairs and maintenance	54,019	5,118	981	60,118
Depreciation	81,931	7,666	2,453	92,050
Office supplies and expenses	22,646	2,005	666	25,317
Marketing and volunteers	2,214	6,408	8,454	17,076
Classroom supplies and materials	32,024			32,024
Utilities	19,645	1,855	421	21,921
Insurance	11,291	2,512	269	14,072
Development expenses			37,665	37,665
Postage and printing	3,368	993	2,779	7,140
Dues and subscriptions	4,242	799		5,041
Other expenses	23,585	7,759	3,202	34,546
Bank and credit card fees		5,748		5,748
Board and committee expense		619		619
Cost of supplies sold	51,956			51,956
TOTAL EXPENSES BY FUNCTION	2,932,806	487,759	291,302	3,711,867
Less: expenses included with revenues on the statement of activities:				
Cost of sales - supplies	(51,956)			(51,956)
Cost of direct benefits to donors			(19,643)	(19,643)
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	<u>\$ 2,880,850</u>	<u>\$ 487,759</u>	<u>\$ 271,659</u>	<u>\$ 3,640,268</u>

See accompanying notes.

ST. JOSEPH INSTITUTE FOR THE DEAF

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 1,812,138	\$ 239,385	\$ 207,540	\$ 2,259,063
Rent expense	211,037	16,402	5,016	232,455
Professional fees	61,387	91,477	30,282	183,146
Network and telephone	84,349	11,594	2,934	98,877
Training, conferences and travel	11,776	11,127	9,423	32,326
Equipment repairs and maintenance	50,491	3,772	1,027	55,290
Depreciation	60,487	5,139	1,937	67,563
Office supplies and expenses	32,837	1,090	638	34,565
Marketing and volunteers	8,510	6,852	15,159	30,521
Classroom supplies and materials	40,202			40,202
Utilities	16,877	1,281	367	18,525
Insurance	8,888	1,960	437	11,285
Development expenses			27,587	27,587
Postage and printing	3,665	3,543	3,669	10,877
Dues and subscriptions	4,602	1,993		6,595
Other expenses	8,371	31,143		39,514
Bank and credit card fees		8,403		8,403
Board and committee expense	1,058	3,184		4,242
Cost of supplies sold	81,027			81,027
TOTAL EXPENSES BY FUNCTION	2,497,702	438,345	306,016	3,242,063
Less: expenses included with revenues on the statement of activities:				
Cost of sales - supplies	(81,027)			(81,027)
Cost of direct benefits to donors			(16,409)	(16,409)
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	<u>\$ 2,416,675</u>	<u>\$ 438,345</u>	<u>\$ 289,607</u>	<u>\$ 3,144,627</u>

See accompanying notes.

ST. JOSEPH INSTITUTE FOR THE DEAF

STATEMENTS OF CASH FLOWS Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Increase in net assets	\$ 1,020,974	\$ 2,445,256
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	635,080	(490,581)
Change in value of beneficial interest in perpetual trusts	27,933	(26,469)
Depreciation	92,050	67,563
(Increase) decrease in certain assets:		
Tuition and fees receivable	8,855	(49,962)
Promises to give	99,107	(678,478)
Prepaid expenses and other current assets	(25,307)	(867)
Increase (decrease) in certain liabilities:		
Accounts payable	(976)	7,510
Accrued expenses	(17,905)	50,265
Deferred revenue		(5,166)
Refundable advance	430,484	
Contributions restricted for long-term purposes		(10,000)
Net Cash Provided by Operating Activities	2,270,295	1,309,071
INVESTING ACTIVITIES		
Purchase of property and equipment	(70,761)	(102,651)
Proceeds from sale of investments	1,126,237	794,139
Purchases of investments	(2,512,570)	(2,199,599)
Net Cash Used by Investing Activities	(1,457,094)	(1,508,111)
FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes		10,000
Net Cash Provided by Financing Activities		10,000
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	813,201	(189,040)
CASH AND EQUIVALENTS		
Beginning of Year	1,233,596	1,422,636
End of Year	\$ 2,046,797	\$ 1,233,596
CASH AND EQUIVALENTS		
Cash	\$ 1,642,655	\$ 1,227,752
Cash equivalents included in investments	404,142	5,844
TOTAL CASH AND EQUIVALENTS	\$ 2,046,797	\$ 1,233,596
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing activities:		
Property and equipment purchases included in accounts payable		\$ 13,641

See accompanying notes.

ST. JOSEPH INSTITUTE FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Joseph Institute for the Deaf (the Organization) is a Missouri not-for-profit organization which was sponsored by the Sisters of St. Joseph of Carondelet (the Church), until July 1, 2022, and provides educational programs, speech therapy and training for children with hearing loss at locations in St. Louis, Missouri and Indianapolis, Indiana. The St. Louis location also offers on-site audiology services and speech therapy services via the internet to children (iHear).

Adopted Accounting Pronouncement: On July 1, 2021, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU No. 2020-07). ASU No. 2020-07 increases transparency of contributed nonfinancial assets through enhancements in presentation and disclosure requirements. As a result, the Organization is now required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. The Organization is also required to disclose various information related to contributed nonfinancial assets. The amendments had no impact on financial position or changes in net assets. ASU No. 2020-07 was adopted on a retrospective basis. See Note 12.

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of the Organization's management and Board of Directors.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts associated with the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Estimates: The preparation of financial statements in accordance 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, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

Cash and Equivalents consist of cash in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from its bank accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition and fees receivable, net represent receivables for tuition, therapy, iHear, audiology, and other fees. The carrying amount of accounts receivable for tuition and fees, including iHear and Audiology, is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Past due amounts are reviewed regularly by management. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. Late fees are charged on past due accounts. As of June 30, 2022, the allowance for doubtful accounts was \$7,824. As of June 30, 2021, there was no allowance for doubtful accounts. Accounts receivable as of June 30, 2020 totaled \$384,092.

Promises to Give: Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Promises to give are reviewed for collectability and a provision for doubtful accounts is recorded based on management's judgment and analysis of the creditworthiness of the donors and grantors, historical experience, economic conditions, and other relevant factors.

Investment Valuation and Income Recognition: Investments are initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 3 for discussion of fair value measurements.

Investment return reported in the statement of activities consists of interest and dividend income and realized and unrealized capital gains and losses, net of external and direct internal investment expenses. Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method.

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

Property and Equipment are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Depreciation of property and equipment is provided on a straight-line basis over the lesser of the estimated useful lives or the lease term as follows:

Leasehold improvements	4-17 years
Furnishings and equipment	3-7 years

The Organization's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. No adjustments to the carrying amount of property and equipment were required during the years ended June 30, 2022 and 2021.

Beneficial Interest in Perpetual Trust: The Organization is the beneficiary of a perpetual trust. Perpetual trusts and charitable remainder trusts are recognized as revenue when the Organization is notified that it has been named as an irrevocable beneficiary of a trust.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Perpetual trusts are created by donors and are neither in the possession nor under the control of the Organization. The trusts are administered by third party trustees as designated by the donors. The Organization is entitled to receive all or a portion of the annual net income earned from the assets of the trusts. The Organization's beneficial interest in perpetual trusts is presented at fair value. See Note 8. Perpetual trusts are included in net assets with donor restrictions, and changes in value of perpetual trusts are recognized within net assets with donor restrictions in the statements of activities. Distributions are recognized within net assets with or without donor restrictions in the statements of activities based on any donor restrictions specified in the trust agreement.

Refundable Advance relates to a grant received in 2022 totaling \$944,375. Any unspent funds must be returned in the event of the Organization's program closure or if required reporting documentation is not submitted by the Organization to required federal/state agencies. During 2022, revenues of \$513,891 were recognized and spent under this agreement and the remaining \$430,484 is included as a refundable advance in the accompanying financial statements.

Tuition, Therapy and Fees relates to early intervention services, mainstream, and preschool classroom services provided to students, which are considered single performance obligations. Revenue for these services is billed and recognized when services are performed.

Audiology and iHear Revenue relates to additional services provided to students. The individual services are considered single, distinct performance obligations for which revenue is recognized at the time the service is provided or performed.

Contributions and Grants are recognized as support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met. The Organization had one conditional grant outstanding at June 30, 2022 totaling \$430,484 and is recorded as a refundable advance. The Organization had no conditional contributions as of June 30, 2021.

For the year ended June 30, 2022, the Organization received approximately 83% of its contributions and grants from three donors. For the year ended June 30, 2021, the Organization received approximately 55% of its contributions and grants, excluding PPP funds, from two donors.

Fundraising Revenue: The Organization has multiple special events where tickets are purchased for the event and revenue is recognized upon the occurrence of the event. In addition, the Organization will sell sponsorships for the events. When a sponsorship is sold, it contains elements of both an exchange transaction and a contribution. The Organization recognizes the contribution portion once received or unconditionally pledged. The portion related to the exchange transaction is recorded as deferred income until the event occurs at which time it is recognized as revenue. There were no amounts related to future year events that were recognized as contributions as of June 30, 2022 and 2021.

Contributed Nonfinancial Assets: Contributions of services are recorded at estimated fair value when received if they create or enhance a nonfinancial asset or if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Other contributions of nonfinancial assets are recorded at estimated fair value when received.

Supplies Sales are recorded at the point in time the equipment is sold at the listed price.

Advertising Costs are expensed as incurred and totaled approximately \$10,074 and \$12,884 in the years ended June 30, 2022 and 2021, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses: The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to the specific program or supporting service benefited. Expenses related to more than one function are allocated among program and support services based on occupied space (including, equipment repairs and maintenance, depreciation and office supplies and expenses) or time spent by the Organization's staff (including salaries and benefits). Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under the Indiana Not-for-Profit Act of 1971, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code. There was no unrelated business income for 2022 and 2021. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying financial statements.

Due to the Organization's relationship with the Church, it historically was not required to file U.S. federal and state of Indiana tax returns unless the Organization is subject to tax on unrelated business income.

Effective July 1, 2022, the Organization completed a restructuring plan and filed Form 1023 as a separate entity. Previously, the Organization was part of a group exemption under the Sisters of St. Joseph of Carondelet. The Organization will file its initial U.S. federal and state information tax returns in fiscal year 2023.

Reclassifications: Certain amounts in the 2021 financial statements have been reclassified to conform to the presentation of the 2022 financial statements.

Subsequent Events: The Organization has evaluated the financial statements for subsequent events occurring through November 17, 2022, the date the financial statements were available to be issued. See above.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The following reflects the Organization's financial assets available to meet general expenditure that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date:

	2022	2021
Cash	\$ 1,642,655	\$ 1,227,752
Tuition and fees receivable, net	425,199	434,054
Promises to give, net	817,234	916,341
Beneficial interest in perpetual trust	141,465	169,398
Investments	<u>4,564,367</u>	<u>3,414,816</u>
Total Financial Assets	7,590,920	6,162,361
Board designated net assets	(218,007)	(244,832)
Donor-imposed Restrictions:		
Funds subject to purpose restrictions	(1,599,430)	(1,372,060)
Perpetual in nature	<u>(427,285)</u>	<u>(455,218)</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 5,346,198</u>	<u>\$ 4,090,251</u>

The Organization's Board of Directors has designated a portion of its resources without donor restrictions for specific purposes. Those amounts are identified as board-designated in the above table. These funds are set aside for these purposes but remain available and may be spent at the discretion of the Board of Directors.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

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. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing educational programs, speech therapy and training for children with hearing loss as well as the conduct of services undertaken to support those activities to be general expenditures. The Organization receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization manages its liquidity by completing annual operating budgets that provide sufficient funds for general expenditures in meeting liabilities and other obligations as they become due and maintains cash and cash equivalents that may be drawn upon as needed during the year to manage cash flow and make necessary expenditures. The Organization collects sufficient tuition revenue to cover general expenditures not covered by donor-restricted resources and plans for donations and fundraising efforts to fill any gap in its operating needs.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization categorizes its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy 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 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.

The three levels of the fair value hierarchy 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 may 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; and/or 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. In situations where there is little or no market activity for the asset or liability, the Organization makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Organization for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Mutual Fund Shares: Valued at the closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Exchange-traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds and Municipal Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Beneficial Interest in Perpetual Trust: Valued based on the Organization's proportionate share of the fair value of the assets in the trust, as provided by the trustee, unless there are facts and circumstances that indicate that the fair value of the beneficial interest differs from the fair value of the Organization's proportionate share of the assets held by the trust, in which case the present value of the estimated future cash flows would be used. When the Organization's proportionate share of the fair value of the assets in the trust is used to estimate fair value, these assets are not classified in the fair value hierarchy.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Organization's assets that are measured at fair value on a recurring basis as of June 30, 2022 and 2021:

2022	Level 1	Level 2	Total	Measured at NAV
Cash equivalents	<u>\$ 404,142</u>		<u>\$ 404,142</u>	
Investments:				
Mutual fund shares	1,434,711		1,434,711	
Exchange-traded funds	2,126,140		2,126,140	
Municipal bonds		\$399,374	399,374	
Corporate bonds		<u>200,000</u>	<u>200,000</u>	
Total Investments	<u>3,560,851</u>	<u>599,374</u>	<u>4,160,223</u>	
Beneficial Interest in Perpetual Trusts				<u>\$141,465</u>
Total Assets at Fair Value	<u>\$3,964,993</u>	<u>\$599,374</u>	<u>\$4,564,367</u>	<u>\$141,465</u>
2021				
Cash equivalents	<u>\$ 5,844</u>		<u>\$ 5,844</u>	
Investments:				
Mutual fund shares	1,129,876		1,129,876	
Exchange-traded funds	<u>2,279,096</u>		<u>2,279,096</u>	
Total Investments	<u>3,408,972</u>		<u>3,408,972</u>	
Beneficial Interest in Perpetual Trusts				<u>\$169,398</u>
Total Assets at Fair Value	<u>\$3,414,816</u>	<u>\$</u>	<u>\$3,414,816</u>	<u>\$169,398</u>

NOTE 4 - INVESTMENTS

Investments consisted of the following at June 30, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 404,142	\$ 404,142	\$ 5,844	\$ 5,844
Equity mutual funds	1,420,657	1,434,711	828,301	1,129,876
Exchange-traded funds	2,191,865	2,126,140	2,064,697	2,279,096
Municipal bonds	399,337	399,374		
Corporate bonds	<u>200,000</u>	<u>200,000</u>		
Total Investments	<u>\$4,616,001</u>	<u>\$4,564,367</u>	<u>\$2,898,842</u>	<u>\$3,414,816</u>

Investment return is summarized as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and dividend income	\$ 81,605	\$ 46,154
Net realized and unrealized gain/(loss) on investments	<u>(635,080)</u>	<u>490,581</u>
	(553,475)	536,735
Investment manager fees	<u>(7,621)</u>	<u>(6,031)</u>
Total investment return/(loss), net	<u>\$(561,096)</u>	<u>\$530,704</u>

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 and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the Organization's financial statements.

NOTE 5 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were estimated to be collected as follows as of June 30, 2022 and 2021:

	2022	St. Louis	Indianapolis	Total
Within one year		\$151,294	\$ 6,119	\$157,413
In one to five years		500,000		500,000
In six to ten years		<u>200,000</u>		<u>200,000</u>
		851,294	6,119	857,413
Unamortized discounts		<u>(40,179)</u>		<u>(40,179)</u>
Total Promises to Give, net		<u>\$811,115</u>	<u>\$ 6,119</u>	<u>\$817,234</u>
	2021			
Within one year		\$149,998	\$17,750	\$167,748
In one to five years		500,000		500,000
In six to ten years		<u>300,000</u>		<u>300,000</u>
		949,998	17,750	967,748
Unamortized discounts		<u>(51,407)</u>		<u>(51,407)</u>
Total Promises to Give, net		<u>\$898,591</u>	<u>\$17,750</u>	<u>\$916,341</u>

Promises to give are discounted at 1.5% at June 30, 2022 and 2021.

NOTE 5 - UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

Of the Organization's gross promises to give balance, approximately 99% was due from one individual and one grantor organization at June 30, 2022 and approximately 98% was due from one individual and one grantor organization at June 30, 2021.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Leasehold improvements	\$ 509,051	\$ 509,051
Furniture and equipment	<u>461,246</u>	<u>404,125</u>
	970,297	913,176
Less: Accumulated depreciation	<u>(548,772)</u>	<u>(456,721)</u>
Total Property and Equipment, net	<u>\$ 421,525</u>	<u>\$ 456,455</u>

NOTE 7 - ENDOWMENT

The Organization's endowment consists of both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. Both the donor restricted endowment and the funds designated by the Board of Directors were established to provide financial aid to hearing impaired students that attend the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the Indiana Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

NOTE 7 - ENDOWMENT (CONTINUED)

The endowment net asset composition by type of fund consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Board designated funds	\$218,007	\$244,832
Donor-restricted Endowment Funds:		
Original gifts and amounts required to be maintained in perpetuity by donors	285,820	285,820
Accumulated investment gains	44,093	111,243
Term endowment	<u>215,835</u>	<u>215,835</u>
Total Endowment Funds	<u>\$763,753</u>	<u>\$857,730</u>

Changes in endowment by net asset class are as follows for the years ended June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2020	\$206,865	\$507,653	\$714,518
Contributions		10,200	10,200
Investment income, net	3,279	8,207	11,486
Unrealized gain	36,489	91,345	127,834
Realized loss	<u>(1,801)</u>	<u>(4,507)</u>	<u>(6,308)</u>
Balance at June 30, 2021	244,832	612,898	857,730
Investment income, net	3,518	8,808	12,326
Unrealized loss	(30,545)	(76,464)	(107,009)
Realized gain	<u>202</u>	<u>504</u>	<u>706</u>
Balance at June 30, 2022	<u>\$218,007</u>	<u>\$545,746</u>	<u>\$763,753</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the original value of the gifts donated or the level that the donor otherwise requires the Foundation to retain as a fund of perpetual duration. At June 30, 2022 and 2021, there were no funds with deficiencies.

Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for financial aid and operational expenses while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to create a total return portfolio consisting of an equity component for long-term growth with maximum current return and a fixed income component for current income and preservation of principal.

The allocation of assets between equity and fixed income will be dependent on the expected cash flow spending needs of the Organization. If spending needs do not dictate otherwise, the de facto target fixed income allocation is 30%.

NOTE 7 - ENDOWMENT (CONTINUED)

The fixed income component will be invested in high quality investment grade bonds and marketable certificates of deposit, with the primary goal of preserving principal and providing liquidity to meet the Organization's spending needs with income as a secondary objective.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). When the spending needs of the Organization do not otherwise indicate, the Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

NOTE 8 - BENEFICIAL INTEREST IN PERPETUAL TRUST

Beneficial interest in perpetual trust consists of unconditional promises to give from a perpetual trust created by an independent donor. The fair value of the Organization's beneficial interest in the perpetual trust at June 30, 2022 and 2021, was \$141,465 and \$169,398, respectively. The funds depreciated by \$27,933 in 2022 and appreciated by \$26,469 in 2021.

NOTE 9 - RETIREMENT PLANS

The Organization maintains a tax-deferred annuity plan under Section 403(b), which allows eligible employees to make tax-deferred contributions. The plan provides flexible employee and employer matching contributions, subject to certain limitations. Total retirement costs charged to operations for the years ended June 30, 2022 and 2021, amounted to \$50,470 and \$58,867, respectively.

NOTE 10 - COMMITMENTS

The Organization entered into lease agreements related to the Indianapolis and St. Louis locations which have escalating rent charges over the terms of the leases. The Indianapolis lease expires in September 2024. The St. Louis lease expires in January 2024. Total rent expense for both locations, including additional charges for property taxes, insurance, and common area expenses, for the years ended June 30, 2022 and 2021, was \$238,747 and \$232,455, respectively.

The future minimum rental commitments required under leases are as follows:

Years Ending June 30,	St. Louis	Indianapolis	Total
2023	\$ 73,205	\$109,260	\$182,465
2024	43,466	109,260	152,726
2025	<u> </u>	<u>27,315</u>	<u>27,315</u>
	<u>\$116,671</u>	<u>\$245,835</u>	<u>\$362,506</u>

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

During the years ended June 30, 2022 and 2021, the Organization received grants and contributions containing various restrictions. These grants include provisions restricting the purpose and timing of expenditures. Accordingly, these grant proceeds have been classified as net assets with donor restriction, with reclassifications for actual expenditures made in accordance with the grant agreements.

Net assets with donor restrictions consist of the following as of June 30, 2022 and 2021:

2022	St. Louis	Indianapolis	Organization Wide	Total
Subject to Endowment Spending Policy and Appropriation: Scholarships	<u>\$ 285,820</u>			<u>\$ 285,820</u>
Perpetual Trust	<u>141,465</u>			<u>141,465</u>
Subject to the Passage of Time: United Way of Greater St. Louis	<u>51,294</u>			<u>51,294</u>
Subject to Expenditures for Specified Purposes:				
Scholarships	199,802	\$60,125		259,927
Preschool	800,000			800,000
Diversity and inclusion	10,241	7,105		17,346
CEO search/leadership development			\$ 10,325	10,325
Listening and spoken language (LSL)			500,000	500,000
Early intervention		11,584		11,584
Other		<u>248</u>		<u>248</u>
Total Subject to Expenditures for Specified Purposes	<u>1,010,043</u>	<u>79,062</u>	<u>510,325</u>	<u>1,599,430</u>
Total Net Assets With Donor Restrictions	<u>\$1,488,622</u>	<u>\$79,062</u>	<u>\$510,325</u>	<u>\$2,078,009</u>
 2021				
	St. Louis	Indianapolis	Organization Wide	Total
Subject to Endowment Spending Policy and Appropriation: Scholarships	<u>\$ 285,820</u>			<u>\$ 285,820</u>
Perpetual Trust	<u>169,398</u>			<u>169,398</u>
Subject to the Passage of Time: United Way of Greater St. Louis	<u>49,998</u>			<u>49,998</u>

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

2021 (Continued)	St. Louis	Indianapolis	Organization Wide	Total
Subject to Expenditures for Specified Purposes:				
Scholarships	\$ 261,846	\$65,232		\$ 327,078
Preschool	966,237			966,237
Diversity and inclusion	10,241	7,105		17,346
CEO search/leadership development			\$13,774	13,774
Capacity building			9,317	9,317
Early intervention	18,058	10,000		28,058
Other	<u>250</u>	<u>10,000</u>		<u>10,250</u>
Total Subject to Expenditures for Specified Purposes	<u>1,256,632</u>	<u>92,337</u>	<u>23,091</u>	<u>1,372,060</u>
Total Net Assets With Donor Restrictions	<u>\$1,761,848</u>	<u>\$92,337</u>	<u>\$23,091</u>	<u>\$1,877,276</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors as follows for fiscal years 2022 and 2021:

2022	St. Louis	Indianapolis	Organization Wide	Total
Time:				
United Way of Greater St. Louis	<u>\$101,287</u>			<u>\$101,287</u>
Purpose:				
iHear	624			624
Preschool	166,236			166,236
Early intervention	68,058	\$ 23,100		91,158
CEO search/leadership development			\$ 3,449	3,449
Capacity building			9,317	9,317
Sustainability		513,891		513,891
Audiology	20,000			20,000
Other	<u>5,331</u>	<u>15,600</u>		<u>20,931</u>
Total Subject to Expenditures for Specified Purposes	<u>260,249</u>	<u>552,591</u>	<u>12,766</u>	<u>825,606</u>
Total Net Assets Released from Restrictions	<u>\$361,536</u>	<u>\$552,591</u>	<u>\$12,766</u>	<u>\$926,893</u>

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

2021	St. Louis	Indianapolis	Organization Wide	Total
Time:				
United Way of Greater St. Louis	<u>\$ 86,200</u>			<u>\$ 86,200</u>
Purpose:				
iHear	6,624			6,624
Preschool	114,911			114,911
Diversity and inclusion	2,259	\$ 5,395		7,654
Early intervention	234,442	10,700		245,142
CEO search/leadership development			\$11,226	11,226
Capacity building			40,683	40,683
Audiology	47,310			47,310
Other	<u>5,750</u>	<u>1,500</u>		<u>7,250</u>
Total Subject to Expenditures for Specified Purposes	<u>411,296</u>	<u>17,595</u>	<u>51,909</u>	<u>480,800</u>
Total Net Assets Released from Restrictions	<u>\$497,496</u>	<u>\$17,595</u>	<u>\$51,909</u>	<u>\$567,000</u>

NOTE 12 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized in the statements of activities consisted of the following:

	2022	2021
Facilities improvements	\$4,496	
Professional services	3,687	\$ 550
Supplies		1,196
Software and equipment	<u>1,789</u>	<u>1,500</u>
Total Recognized Contributed Nonfinancial Assets	<u>\$9,972</u>	<u>\$3,246</u>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed facilities improvements consisted of services and materials to redesign the Organization's office spaces. In valuing the contributed design costs, the Organization estimated the fair value based on comparable prices for similar design costs in the Indianapolis area.

Recognized contributed professional services consisted of consulting services for development projects and production services for events. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Supplies consisted of various items including cleaning supplies and protective gear such as masks. In valuing the contributed supplies, the Organization estimated the fair value based on comparable prices for similar products in the Indianapolis area.

Software and equipment consisted of practice management software and technology equipment for events. In valuing the contributed software and equipment, the Organization estimated the fair value based on comparable prices for similar products in the Indianapolis and St. Louis area.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Organization received cash donations from Board members of \$92,722 and \$88,126 for the years ending June 30, 2022 and 2021, respectively.

NOTE 14 - GOVERNMENT ASSISTANCE

On February 26, 2021, the Organization was granted a PPP loan of \$414,582, as expanded and amended under the Consolidated Appropriations Act, 2021. PPP loans, including accrued interest, are forgivable as long as the entity uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities. Under the PPP, the amount of forgiveness is reduced if the entity terminates employees or reduces salaries during the covered period. The Organization believes it used the proceeds for purposes consistent with the PPP and received forgiveness from the bank on April 29, 2022. The Organization substantially met the conditions of the PPP, including incurring qualified expenses prior to June 30, 2021. Therefore, the Organization recognized the income of \$414,582 in fiscal year 2021 related to government assistance provided by the PPP. The income is included in contributions and grants in the statements of activities.

NOTE 15 - EMPLOYMENT TAX DEFERRAL

During fiscal years 2021 and 2020, the Organization deferred a total of \$82,893 of the employer's portion of Social Security payroll taxes, as provided under Section 2302 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Of the amount deferred, \$39,682 was deposited in December 2021, with the remaining \$43,211 due to be deposited by December 31, 2022, the amount is included in accrued expenses on the statement of financial position.