Hearing Health Foundation

Financial Statements

September 30, 2011
Independent Auditors' Report

Board of Directors
Hearing Health Foundation

We have audited the accompanying statement of financial position of Hearing Health Foundation, (the "Foundation") as of September 30, 2011 and related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's fiscal 2010 financial statements and in our report dated April 13, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearing Health Foundation as of September 30, 2011 and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

New York, New York
April 23, 2012
Hearing Health Foundation

Statement of Financial Position

September 30, 2011
(with comparative amounts at September 30, 2010)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 2,669,282</td>
<td>$ 2,633,470</td>
</tr>
<tr>
<td>Advertising and other receivables</td>
<td>58,005</td>
<td>50,391</td>
</tr>
<tr>
<td>Pledge receivable, net</td>
<td>138,850</td>
<td>47,295</td>
</tr>
<tr>
<td>Prepaid expense and deposits</td>
<td>140,860</td>
<td>51,160</td>
</tr>
<tr>
<td>Investments</td>
<td>763,071</td>
<td>749,042</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>55,916</td>
<td>20,366</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>318,768</td>
<td>318,768</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>-</td>
<td>21,426</td>
</tr>
<tr>
<td><strong>Total ASSETS</strong></td>
<td><strong>$ 4,144,752</strong></td>
<td><strong>$ 3,891,918</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 69,697</td>
<td>$ 41,784</td>
</tr>
<tr>
<td>Grants payable</td>
<td>414,500</td>
<td>366,518</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>131,100</td>
<td>12,960</td>
</tr>
<tr>
<td>Deferred rent expense</td>
<td>14,256</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>629,553</strong></td>
<td><strong>421,262</strong></td>
</tr>
</tbody>
</table>

Net assets

<table>
<thead>
<tr>
<th>Net assets</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>2,351,007</td>
<td>2,829,818</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>845,424</td>
<td>322,070</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>318,768</td>
<td>318,768</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>3,515,199</strong></td>
<td><strong>3,470,656</strong></td>
</tr>
</tbody>
</table>

| **Total** | **$ 4,144,752** | **$ 3,891,918** |

See notes to financial statements
### Hearing Health Foundation

Statement of Activities

Year Ended September 30, 2011
(with summarized totals for the year ended September 30, 2010)

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2011 Total</th>
<th>2010 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPPORT AND REVENUE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$969,422</td>
<td>$781,390</td>
<td>$1,750,812</td>
<td>$2,115,069</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>51,770</td>
<td>-</td>
<td>51,770</td>
<td>73,907</td>
</tr>
<tr>
<td>Publishing</td>
<td>236,841</td>
<td>-</td>
<td>236,841</td>
<td>185,857</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>30,287</td>
<td>6,839</td>
<td>37,126</td>
<td>33,800</td>
</tr>
<tr>
<td>Realized and unrealized (loss) gain on investments</td>
<td>(13,024)</td>
<td>(3,419)</td>
<td>(16,443)</td>
<td>15,267</td>
</tr>
<tr>
<td>Other income</td>
<td>7,677</td>
<td>-</td>
<td>7,677</td>
<td>65,148</td>
</tr>
<tr>
<td>Special events loss, net of expenses</td>
<td>(9,278)</td>
<td>-</td>
<td>(9,278)</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>261,456</td>
<td>(261,456)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Support and Revenue</td>
<td>1,535,151</td>
<td>523,354</td>
<td>-</td>
<td>2,058,505</td>
</tr>
</tbody>
</table>

| EXPENSES |                     |            |            |            |
| Program services | 1,408,241         | -          | -          | 1,408,241  | 1,133,476 |
| Management and general | 321,715        | -          | -          | 321,715    | 359,102   |
| Fundraising     | 284,006             | -          | -          | 284,006    | 248,322   |
| Total Expenses | 2,013,962           | -          | -          | 2,013,962  | 1,740,900 |

| NET ASSETS |                     |            |            |            |
| Beginning of year | 2,829,818         | 322,070    | 318,768    | 3,470,656  | 2,722,508 |

End of year

| 2,351,007 | 845,424 | 318,768 | $3,515,199 | $3,470,656 |

See notes to financial statements
## Hearing Health Foundation
### Statement of Functional Expenses
#### Year Ended September 30, 2011
(with summarized totals for the year ended September 30, 2010)

**Program Services**

<table>
<thead>
<tr>
<th>Research Grants</th>
<th>Magazine Management</th>
<th>Communication Education</th>
<th>Conferences</th>
<th>Hearing Restoration</th>
<th>Project</th>
<th>Total</th>
<th>General</th>
<th>Fundraising</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$75,052</td>
<td>$37,526</td>
<td>$57,995</td>
<td>-</td>
<td>-</td>
<td>$170,573</td>
<td>$111,594</td>
<td>$96,885</td>
<td>$148,120</td>
<td>$379,052</td>
</tr>
<tr>
<td>Payroll taxes and benefits</td>
<td>11,606</td>
<td>5,803</td>
<td>8,969</td>
<td>-</td>
<td>-</td>
<td>26,378</td>
<td>17,585</td>
<td>14,655</td>
<td>58,618</td>
<td>53,206</td>
</tr>
<tr>
<td>Grants and allocations</td>
<td>609,250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>609,250</td>
<td>-</td>
<td>-</td>
<td>609,250</td>
<td>559,776</td>
</tr>
<tr>
<td>Consultants</td>
<td>31,681</td>
<td>4,773</td>
<td>48,786</td>
<td>-</td>
<td>-</td>
<td>85,240</td>
<td>20,239</td>
<td>8,960</td>
<td>114,439</td>
<td>27,924</td>
</tr>
<tr>
<td>Honoraria</td>
<td>2,600</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,600</td>
<td>-</td>
<td>-</td>
<td>2,600</td>
<td>2,600</td>
</tr>
<tr>
<td>Professional fees</td>
<td>-</td>
<td>-</td>
<td>44,860</td>
<td>-</td>
<td>-</td>
<td>44,860</td>
<td>54,590</td>
<td>-</td>
<td>99,450</td>
<td>129,402</td>
</tr>
<tr>
<td>Amortization</td>
<td>-</td>
<td>21,426</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,426</td>
<td>-</td>
<td>-</td>
<td>21,426</td>
<td>21,429</td>
</tr>
<tr>
<td>Credit card fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,858</td>
<td>-</td>
<td>2,858</td>
<td>1,562</td>
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<tr>
<td>Database</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>10,293</td>
<td>-</td>
<td>10,293</td>
<td>10,415</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,325</td>
<td>-</td>
<td>5,325</td>
<td>4,736</td>
</tr>
<tr>
<td>Marketing and promotional materials</td>
<td>-</td>
<td>2,885</td>
<td>7,862</td>
<td>2,260</td>
<td>-</td>
<td>13,007</td>
<td>-</td>
<td>13,873</td>
<td>26,880</td>
<td>29,735</td>
</tr>
<tr>
<td>Registrations and state filings</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>11,565</td>
<td>11,566</td>
<td>13,581</td>
</tr>
<tr>
<td>Website</td>
<td>2,464</td>
<td>2,374</td>
<td>2,934</td>
<td>-</td>
<td>-</td>
<td>7,772</td>
<td>7,122</td>
<td>7,122</td>
<td>22,016</td>
<td>5,436</td>
</tr>
<tr>
<td>Editorial, artwork and design</td>
<td>-</td>
<td>84,955</td>
<td>15,975</td>
<td>350</td>
<td>-</td>
<td>101,280</td>
<td>-</td>
<td>575</td>
<td>101,855</td>
<td>84,825</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>145</td>
<td>105</td>
<td>972</td>
<td>-</td>
<td>-</td>
<td>1,222</td>
<td>15</td>
<td>2,648</td>
<td>3,885</td>
<td>3,717</td>
</tr>
<tr>
<td>Computer expenses</td>
<td>2,432</td>
<td>2,692</td>
<td>2,949</td>
<td>-</td>
<td>-</td>
<td>8,073</td>
<td>7,235</td>
<td>7,235</td>
<td>22,543</td>
<td>10,700</td>
</tr>
<tr>
<td>Storage</td>
<td>36</td>
<td>36</td>
<td>35</td>
<td>-</td>
<td>-</td>
<td>107</td>
<td>2,674</td>
<td>107</td>
<td>2,888</td>
<td>6,780</td>
</tr>
<tr>
<td>Supplies</td>
<td>2,371</td>
<td>2,844</td>
<td>2,254</td>
<td>-</td>
<td>-</td>
<td>7,469</td>
<td>7,415</td>
<td>7,031</td>
<td>21,915</td>
<td>8,240</td>
</tr>
<tr>
<td>Telephone</td>
<td>2,529</td>
<td>2,529</td>
<td>2,529</td>
<td>-</td>
<td>-</td>
<td>7,587</td>
<td>7,588</td>
<td>7,587</td>
<td>22,762</td>
<td>24,012</td>
</tr>
<tr>
<td>Postage and shipping</td>
<td>1,446</td>
<td>45,331</td>
<td>24,227</td>
<td>-</td>
<td>-</td>
<td>71,004</td>
<td>5,541</td>
<td>37,653</td>
<td>114,198</td>
<td>62,200</td>
</tr>
<tr>
<td>Rent</td>
<td>11,218</td>
<td>11,218</td>
<td>11,217</td>
<td>-</td>
<td>-</td>
<td>33,653</td>
<td>57,414</td>
<td>33,652</td>
<td>124,719</td>
<td>103,602</td>
</tr>
<tr>
<td>Printing and reproduction</td>
<td>266</td>
<td>68,137</td>
<td>36,500</td>
<td>-</td>
<td>-</td>
<td>104,903</td>
<td>797</td>
<td>19,786</td>
<td>125,486</td>
<td>100,323</td>
</tr>
<tr>
<td>Travel</td>
<td>5,240</td>
<td>2,026</td>
<td>21,141</td>
<td>-</td>
<td>30,739</td>
<td>59,146</td>
<td>685</td>
<td>724</td>
<td>60,555</td>
<td>19,017</td>
</tr>
<tr>
<td>Conferences, conventions and meetings</td>
<td>21,175</td>
<td>375</td>
<td>47</td>
<td>-</td>
<td>-</td>
<td>21,597</td>
<td>-</td>
<td>-</td>
<td>21,597</td>
<td>19,631</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,157</td>
<td>-</td>
<td>11,157</td>
<td>12,777</td>
</tr>
<tr>
<td>Advertising</td>
<td>-</td>
<td>60</td>
<td>-</td>
<td>1,600</td>
<td>6,309</td>
<td>7,969</td>
<td>60</td>
<td>60</td>
<td>8,089</td>
<td>535</td>
</tr>
<tr>
<td>Other expenses</td>
<td>-</td>
<td>107</td>
<td>3,008</td>
<td>-</td>
<td>-</td>
<td>3,115</td>
<td>4,679</td>
<td>746</td>
<td>8,540</td>
<td>6,619</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$779,521</strong></td>
<td><strong>$295,202</strong></td>
<td><strong>$292,260</strong></td>
<td><strong>$4,210</strong></td>
<td><strong>$37,048</strong></td>
<td><strong>$1,408,241</strong></td>
<td><strong>$321,715</strong></td>
<td><strong>$284,006</strong></td>
<td><strong>$2,013,962</strong></td>
<td><strong>$1,740,900</strong></td>
</tr>
</tbody>
</table>

See notes to financial statements
Hearing Health Foundation

Statement of Cash Flows

Year Ended September 30, 2011
(with comparative amounts for the year ended September 30, 2010)

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ 44,543</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash from operating activities</td>
<td></td>
</tr>
<tr>
<td>Donated securities</td>
<td>(92,268)</td>
</tr>
<tr>
<td>Realized and unrealized loss (gain) on investments</td>
<td>16,443</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>32,583</td>
</tr>
<tr>
<td>Net changes in operating assets and liabilities</td>
<td></td>
</tr>
<tr>
<td>Advertising and other receivables</td>
<td>(7,614)</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>(91,555)</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>(89,700)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>27,913</td>
</tr>
<tr>
<td>Grants payable</td>
<td>47,982</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>132,396</td>
</tr>
<tr>
<td>Net Cash from Operating Activities</td>
<td>20,723</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property and equipment</td>
<td>(46,707)</td>
</tr>
<tr>
<td>Purchases of securities</td>
<td>(32,338)</td>
</tr>
<tr>
<td>Proceeds from sales of securities</td>
<td>94,134</td>
</tr>
<tr>
<td>Net Cash from Investing Activities</td>
<td>15,089</td>
</tr>
</tbody>
</table>

Net Change in Cash and Cash Equivalents 35,812          277,550

CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>2,633,470</td>
</tr>
<tr>
<td>End of year</td>
<td>$ 2,669,282</td>
</tr>
</tbody>
</table>

See notes to financial statements
1. **Organization and Tax Status**

Hearing Health Foundation, (the "Foundation") is a New York not-for-profit Corporation that furthers research in the causes, treatments and prevention of deafness and other hearing disorders. In 2011, the Foundation changed its name from Deafness Research Foundation to Hearing Health Foundation.

The Foundation is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

2. **Summary of Significant Accounting Policies**

   **Use of Estimates**

   The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

   **Basis of Presentation**

   The Foundation classifies its net assets, support and revenue, and expenses, based on the existence or absence of donor-imposed restrictions. Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, if any (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

   **Cash and Cash Equivalents**

   The Foundation considers all highly liquid investments, including money market funds, with a maturity date of three months or less, to be cash equivalents. For cash flow purposes, cash and cash equivalents amounts reflect the unrestricted portion.
2. Summary of Significant Accounting Policies (continued)

**Fair Value Measurements**

The Foundation follows Financial Accounting Standards Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

**Investment Valuation and Income Recognition**

Investments are recorded at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the change in net assets.

**Contributions Receivable**

Unconditional promises to give are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

**Property and Equipment**

Property and equipment with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years.
2. Summary of Significant Accounting Policies (continued)

**Endowments**

On September 17, 2010, New York State adopted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). New York State’s version of UPMIFA is known as NYPMIFA. NYPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending, establishment of new standards governing the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds. In accordance with the adoption of NYPMIFA, the Foundation reviewed all of its endowment funds and determined that a net asset reclassification was not necessary.

**Contributions**

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. Marketable securities contributed are recorded at the fair value at the date of contribution. Conditional promises to give are not recognized until the conditions are substantially met.

**Donated Services and Materials**

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

**Functional Expenses Allocations**

The costs of providing the various programs and other activities of the Foundation have been summarized on a functional basis in the accompanying statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable basis.

**Accounting for Uncertainty in Income Taxes**

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2008.
2. Summary of Significant Accounting Policies (continued)

Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of and for the year ended September 30, 2010, from which the summarized comparative information was derived.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through April 23, 2012.

3. Concentration of Credit Risk

The Foundation’s financial instruments that are potentially exposed to concentration of credit risk consist of cash and cash equivalents, receivables and investments. The Foundation places its cash, cash equivalents and investments with quality financial institutions. At times, cash balances may be in excess of the federally insured limits. The Foundation believes no significant concentration of credit risk exists with respect to its cash and cash equivalents and investments. The Foundation believes that no significant concentration of credit risk exists with respect to receivables.

4. Contributions Receivable

Unconditional pledges are included in the financial statements as contributions receivable and revenue, net after discounting at 1.98% to the present value of future cash flows. This discount is amortized and recognized as income in the statement of activities over the life of the pledge. Management expects unconditional promises at September 30, 2011 to be realized in the following periods:

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>In one year or less</td>
<td>$ 110,000</td>
</tr>
<tr>
<td>Between one and four years</td>
<td>$ 30,000</td>
</tr>
<tr>
<td>Discount</td>
<td>(1,150)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 138,850</strong></td>
</tr>
</tbody>
</table>

Management believes that contributions receivable are collectible and accordingly no provision for doubtful collection is deemed necessary.
5. **Investments**

All investments at September 30, 2011 and 2010 consist of mutual funds at fair value, using level 1 inputs hierarchy.

6. **Property and Equipment**

Property and equipment consists of the following at September 30:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$41,887</td>
<td>$14,683</td>
</tr>
<tr>
<td>Website</td>
<td>$52,503</td>
<td>$33,000</td>
</tr>
<tr>
<td></td>
<td>$94,390</td>
<td>$47,683</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(38,474)</td>
<td>(27,317)</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$55,916</td>
<td>$20,366</td>
</tr>
</tbody>
</table>

7. **Intangible Assets**

In November 2002, the Foundation purchased the intangible right, title and interest in and to the name “Hearing Health Magazine” for $150,000. At the time of acquisition, the asset had an indeterminable life. During fiscal year 2006, it was determined that the magazine had an estimated remaining benefit through fiscal year 2011. Therefore, the intangible asset has been amortized to reflect this remaining benefit period. Amortization expense in fiscal year 2011 is $21,429. The intangible asset has been fully amortized in the year ended September 30, 2011.
8. Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, are restricted for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time restriction</td>
<td>$40,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Purpose restrictions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meniere's Disease</td>
<td>239,118</td>
<td>239,118</td>
</tr>
<tr>
<td>Usher's Syndrome</td>
<td>-</td>
<td>11,737</td>
</tr>
<tr>
<td>Tinnitus</td>
<td>3,404</td>
<td>3,404</td>
</tr>
<tr>
<td>Centurion</td>
<td>7,456</td>
<td>7,658</td>
</tr>
<tr>
<td>Hearst</td>
<td>12,957</td>
<td>9,748</td>
</tr>
<tr>
<td>C.H.E.A.R</td>
<td>679</td>
<td>250</td>
</tr>
<tr>
<td>Hair Cell Regeneration</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Todd M. Bader Research Grant</td>
<td>50</td>
<td>-</td>
</tr>
<tr>
<td>Magazine Management</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Hearing Restoration Project</td>
<td>541,720</td>
<td>130</td>
</tr>
<tr>
<td></td>
<td>$845,424</td>
<td>$322,070</td>
</tr>
</tbody>
</table>

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time restriction</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Purpose restrictions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Todd M. Bader Research Grant</td>
<td>25,000</td>
<td>-</td>
</tr>
<tr>
<td>Centurion</td>
<td>10,000</td>
<td>21,633</td>
</tr>
<tr>
<td>Usher's Syndrome</td>
<td>23,004</td>
<td>-</td>
</tr>
<tr>
<td>CAPD - Central Auditory Processing Disorder</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td>Research grants</td>
<td>62,425</td>
<td>-</td>
</tr>
<tr>
<td>Hearing Restoration Project</td>
<td>31,027</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$261,456</td>
<td>$31,633</td>
</tr>
</tbody>
</table>
9. Permanently Restricted Net Assets

Permanently restricted net assets at September 30 are restricted for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Hearst Foundation</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>C.H.E.A.R. Inc.</td>
<td>118,768</td>
<td>118,768</td>
</tr>
<tr>
<td></td>
<td>$318,768</td>
<td>$318,768</td>
</tr>
</tbody>
</table>

The endowment corpus from the Hearst Foundation provides investment income to fund the Hearst Endowed Otologic Fellowship. The endowment corpus from C.H.E.A.R. Inc. provides investment income to fund the annual C.H.E.A.R. Endowment Grant.

10. Endowments

_Interpretation of Relevant Law_

The Board of Directors of the Foundation has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

_Return Objectives and Risk Parameters_

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide capital preservation and total return. The overall rate of return objective of the portfolio shall be a reasonable “real” rate that is consistent with the risk levels.

_Strategies Employed for Achieving Objectives_

To satisfy its long-term rate objectives within the established risk parameters the Foundation’s assets are divided into two major asset classes consisting of cash and mutual funds.
10. Endowments (continued)

Spending Policy

Spending policy will be at the discretion of the Board of the Foundation as determined by the governing documents for the various restricted funds that make up the portfolio and applicable federal and state laws.

Changes in Endowment

The changes in endowment funds for the year ended September 30, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, October 1, 2009</td>
<td>$ 1,942</td>
<td>$ 318,768</td>
<td>$ 320,710</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>4,637</td>
<td>-</td>
<td>4,637</td>
</tr>
<tr>
<td>Unrealized appreciation</td>
<td>3,419</td>
<td>-</td>
<td>3,419</td>
</tr>
<tr>
<td>Balance, September 30, 2010</td>
<td>9,998</td>
<td>318,768</td>
<td>328,766</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>6,839</td>
<td>-</td>
<td>6,839</td>
</tr>
<tr>
<td>Unrealized depreciation</td>
<td>(3,419)</td>
<td>-</td>
<td>(3,419)</td>
</tr>
<tr>
<td>Total investment return</td>
<td>3,420</td>
<td>-</td>
<td>3,420</td>
</tr>
<tr>
<td>Balance, September 30, 2011</td>
<td>$ 13,418</td>
<td>$ 318,768</td>
<td>$ 332,186</td>
</tr>
</tbody>
</table>

Endowment funds at September 30 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 119,371</td>
<td>$ 119,160</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>$ 212,815</td>
<td>$ 209,606</td>
</tr>
<tr>
<td></td>
<td>$ 332,186</td>
<td>$ 328,766</td>
</tr>
</tbody>
</table>

Endowment funds consist of donor restricted funds.
11. Commitments

*Lease Commitments*

In 2011, the Foundation entered into a new lease agreement for office space which expires on March 31, 2018. The lease provides for one month of free rent and scheduled increases in base rent. Rent expense is charged to operations ratably over the term of the lease which results in deferred rent payable. The deferred rent is the cumulative rent expense charged to operations from inception of the lease in excess of required lease payments. Future minimum rental payments under this operating lease for each of the next five years and thereafter are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$110,432</td>
</tr>
<tr>
<td>2013</td>
<td>113,745</td>
</tr>
<tr>
<td>2014</td>
<td>117,157</td>
</tr>
<tr>
<td>2015</td>
<td>120,672</td>
</tr>
<tr>
<td>2016</td>
<td>124,292</td>
</tr>
<tr>
<td>Thereafter</td>
<td>192,977</td>
</tr>
</tbody>
</table>

Total $779,275

12. In-Kind Contributions

The Foundation received legal services and various items at no cost during the year ended September 30, 2011. These amounts are reflected as revenue and expenses in the accompanying statement of activities. In-kind contributions consist of the following for the years ended September 30,:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>$41,770</td>
<td>$72,987</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>10,000</td>
<td>920</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$51,770</td>
<td>$73,907</td>
</tr>
</tbody>
</table>