



Consolidated Financial Statements

Starkey Hearing Foundation and Subsidiaries
Eden Prairie, Minnesota

For the years ended December 31, 2021 and 2020



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Starkey Hearing Foundation and Subsidiaries
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Starkey Hearing Foundation and Subsidiaries
Eden Prairie, Minnesota

Opinion

We have audited the accompanying consolidated financial statements of Starkey Hearing Foundation and Subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the property and equipment of Starkey Hearing Institute Limited (SHIL) as of December 31, 2021 and 2020. Those amounts were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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 the Foundation 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.

We did not audit the financial statements of Starkey Hearing Institute Limited, a consolidated subsidiary, which statements reflect total assets of \$1,002,240 and \$1,029,147 as of December 31, 2021 and 2020, respectively, and total revenue of \$539,237 and \$519,970 for the years then ended. Those statements, which are prepared in accordance with International Standards on Auditing, were audited by other auditors whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Starkey Hearing Institute Limited which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Starkey Hearing Institute Limited, prior to these conversion adjustments, is based solely on the report of the other auditors.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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 consolidated 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, including omissions, 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 consolidated 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 consolidated 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 the Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Other Matters

The Foundation recorded a prior period adjustment in 2020 to net assets without donor restrictions for revenue that should have been recognized in 2019.



Abdo
Minneapolis, Minnesota
August 16, 2022



CONSOLIDATED FINANCIAL STATEMENTS

Starkey Hearing Foundation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,603,287	\$ 778,426
Accounts receivable	-	3,145
Inventory	939,922	1,962,910
Prepaid expenses	48,046	100,696
Total Current Assets	2,591,255	2,845,177
Property and Equipment		
Land	113,939	113,939
Building and improvements	867,669	867,669
Software and equipment	838,178	838,178
Total Property and Equipment, cost	1,819,786	1,819,786
Less: Accumulated depreciation	(850,221)	(807,453)
Property and Equipment, net	969,565	1,012,333
Total Assets	\$ 3,560,820	\$ 3,857,510
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,888	\$ 38,068
Accrued expenses	4,579	14,327
Note payable, current	47,996	85,160
Total Current Liabilities	54,463	137,555
Long-term Liabilities		
Note payable	-	47,996
Total Liabilities	54,463	185,551
Net Assets		
Without donor restriction	2,890,518	3,625,556
With donor restriction	615,839	46,403
Total Net Assets	3,506,357	3,671,959
Total Liabilities and Net Assets	\$ 3,560,820	\$ 3,857,510

See Independent Auditor's Report and Notes to the Financial Statements.

Starkey Hearing Foundation and Subsidiaries

Consolidated Statements of Activities
For the Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions	\$ 1,266,261	\$ 569,436	\$ 1,835,697
Donated services and materials	36,253	-	36,253
Total Support	1,302,514	569,436	1,871,950
Revenue			
Hear Now Program processing fees	15,545	-	15,545
Investment income	56	-	56
Loss on write-off of expired inventory	(1,059,241)	-	(1,059,241)
Total Revenue	(1,043,640)	-	(1,043,640)
Total Support and Revenue	258,874	569,436	828,310
Expenses			
Program services			
International	639,610	-	639,610
Supporting services			
Management and general	345,049	-	345,049
Fundraising	9,253	-	9,253
Total supporting services	354,302	-	354,302
Total Expenses	993,912	-	993,912
Change in Net Assets	(735,038)	569,436	(165,602)
Net Assets, Beginning of Year	3,625,556	46,403	3,671,959
Net Assets, End of Year	\$ 2,890,518	\$ 615,839	\$ 3,506,357

See Independent Auditor's Report and Notes to the Financial Statements.

Starkey Hearing Foundation and Subsidiaries
Consolidated Statements of Activities (Continued)
For the Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions	\$ 1,071,544	\$ 77,930	\$ 1,149,474
Donated services and materials	5,277,876	-	5,277,876
Paycheck Protection Program government grant	351,344	-	351,344
Special events	4,500	-	4,500
Total Support	6,705,264	77,930	6,783,194
Revenue			
Hear Now Program processing fees	257,978	-	257,978
Tuition	18,000	-	18,000
Loss on sale of investments	(193,363)	-	(193,363)
Net loss on disposal of fixed assets	(62,591)	-	(62,591)
Other revenue	4,764	-	4,764
Total Revenue	24,788	-	24,788
Net Assets Released from Restrictions	802,967	(802,967)	-
Total Support and Revenues	7,533,019	(725,037)	6,807,982
Expenses			
Program services			
International	5,715,158	-	5,715,158
Domestic	4,463,402	-	4,463,402
Grants and other	2,461	-	2,461
Total program services	10,181,021	-	10,181,021
Supporting services			
Management and general	1,169,016	-	1,169,016
Fundraising	61,409	-	61,409
Total supporting services	1,230,425	-	1,230,425
Total Expenses	11,411,446	-	11,411,446
Change in Net Assets	(3,878,427)	(725,037)	(4,603,464)
Net Assets, Beginning of Year	7,403,983	771,440	8,175,423
Prior Period Adjustment	100,000	-	100,000
Net Assets, End of Year	\$ 3,625,556	\$ 46,403	\$ 3,671,959

See Independent Auditor's Report and Notes to the Financial Statements.

Starkey Hearing Foundation and Subsidiaries
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Supporting Services			Total
	International	Management and General	Fundraising	Total Supporting Services	
Payroll, taxes and benefits	\$ 34,194	\$ 31,409	\$ 6,500	\$ 37,909	\$ 72,103
Travel	49,093	5,433	-	5,433	54,526
Consulting	316,462	87,766	-	87,766	404,228
Mission expenses	59,736	-	-	-	59,736
Professional fees	36,000	78,936	-	78,936	114,936
Information technology	16,150	49,044	740	49,784	65,934
Other	9,786	29,718	448	30,166	39,952
Occupancy	12,891	-	-	-	12,891
Bad debt	-	3,145	-	3,145	3,145
Supplies	17,133	17,934	-	17,934	35,067
Food and beverage	318	-	-	-	318
Depreciation	42,768	-	-	-	42,768
Printing, postage and copying	884	744	-	744	1,628
Telephone and internet	12,212	339	-	339	12,551
Bank fees	90	12,725	1,565	14,290	14,380
Insurance	3,810	27,856	-	27,856	31,666
Advertising and promotion	27,017	-	-	-	27,017
Facility rental	1,066	-	-	-	1,066
Total Expenses	\$ 639,610	\$ 345,049	\$ 9,253	\$ 354,302	\$ 993,912

See Independent Auditor's Report and Notes to the Financial Statements.

Starkey Hearing Foundation and Subsidiaries
Consolidated Statements of Functional Expenses (Continued)
For the Year Ended December 31, 2020

	Program Services			Supporting Services			Total	
	International	Domestic	Grants and Other	Total Program Services	Management and General	Fundraising		Total Supporting Services
Hearing aid and accessory donations	\$ 2,583,329	\$ 4,348,800	\$ -	\$ 6,932,129	\$ -	\$ -	\$ -	\$ 6,932,129
Payroll, taxes and benefits	976,184	93,891	-	1,070,075	388,259	8,877	397,136	1,467,211
Travel	740,577	79	-	740,656	4,805	-	4,805	745,461
Consulting	454,270	5,462	-	459,732	87,376	34,615	121,991	581,723
Mission expenses	499,445	-	2,461	501,906	-	-	-	501,906
Professional fees	-	-	-	-	203,445	-	203,445	203,445
Lease termination	-	-	-	-	180,000	-	180,000	180,000
Other	58,589	2,492	-	61,081	86,400	14,870	101,270	162,351
Occupancy	27,852	-	-	27,852	82,729	-	82,729	110,581
Bad debt	-	-	-	-	22,245	-	22,245	22,245
Supplies	55,009	-	-	55,009	28,267	-	28,267	83,276
Security	76,738	-	-	76,738	-	-	-	76,738
Food and beverage	74,296	-	-	74,296	-	-	-	74,296
Depreciation	42,167	1,936	-	44,103	20,492	-	20,492	64,595
Printing, postage and copying	43,114	10,742	-	53,856	242	-	242	54,098
Telephone and internet	43,737	-	-	43,737	892	-	892	44,629
Bank fees	4,775	-	-	4,775	31,105	3,047	34,152	38,927
Insurance	2,510	-	-	2,510	28,759	-	28,759	31,269
Advertising and promotion	22,731	-	-	22,731	4,000	-	4,000	26,731
Facility rental	9,835	-	-	9,835	-	-	-	9,835
Total Expenses	<u>\$ 5,715,158</u>	<u>\$ 4,463,402</u>	<u>\$ 2,461</u>	<u>\$ 10,181,021</u>	<u>\$ 1,169,016</u>	<u>\$ 61,409</u>	<u>\$ 1,230,425</u>	<u>\$ 11,411,446</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Starkey Hearing Foundation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ (165,602)	\$ (4,603,464)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	42,768	64,595
Realized loss on investments	-	607
Unrealized loss on investments	-	199,256
Loss on disposal of fixed assets	-	62,591
Loss on write-off of expired inventory	1,059,241	-
(Increase) decrease in assets:		
Accounts receivable	3,145	38,828
Pledges receivable	-	826,893
Inventory	(36,253)	1,861,196
Prepaid expenses	52,650	180,867
Increase (decrease) in liabilities:		
Accounts payable	(36,180)	(288,928)
Accrued expenses	(9,748)	(113,499)
Deferred revenue	-	(135,898)
Grants payable	-	(96,075)
Net Cash Provided (Used) by Operating Activities	910,021	(2,003,031)
Cash Flows from Investing Activities		
Proceeds from sale of investments	-	1,771,845
Purchases of property and equipment	-	(39,622)
Proceeds from sale of property and equipment	-	8,190
Net Cash Provided by Investing Activities	-	1,740,413
Cash Flows from Financing Activities		
Proceeds from note payable	-	133,156
Payments on long-term debt	(85,160)	-
Net Cash Provided (Used) by Financing Activities	(85,160)	133,156
Net Increase in Cash and Cash Equivalents	824,861	(129,462)
Beginning Cash and Cash Equivalents	778,426	907,888
Ending Cash and Cash Equivalents	\$ 1,603,287	\$ 778,426
Supplemental Disclosure of Non-Cash Transactions		
Prior period adjustment due to pledges receivable	\$ -	\$ 100,000

See Independent Auditor's Report and Notes to the Financial Statements.

Starkey Hearing Foundation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Starkey Hearing Foundation gives the gift of hearing to those in need, empowering them to achieve their potential. Its vision of "So the World May Hear" brings understanding between people through sharing and caring. Starkey Hearing Foundation is a nonprofit corporation.

Starkey Hearing Foundation LLC, a nonprofit limited liability company, was formed in March 2016. This entity was established to have a controlling interest in legal entities formed in international mission countries. Starkey Hearing Foundation is the sole member of the nonprofit limited liability company.

Starkey Hearing Institute Limited (SHIL), a company limited by guarantee, was incorporated in the Republic of Zambia during May 2016 to provide the legal structure for the Starkey Hearing Institute, a global initiative started by the Foundation, in the Republic of Zambia. The members of SHIL are Starkey Hearing Foundation LLC, the nonprofit limited liability company, and one other member with an insignificant noncontrolling interest.

Starkey Hearing Foundation (SHF), a company limited by guarantee, was incorporated in Kenya during August 2016 to provide the legal structure for the Starkey Hearing Institute in Kenya. The members of the SHF are Starkey Hearing Foundation LLC, the nonprofit limited liability company, and one other member with an insignificant noncontrolling interest. In June 2020, all operations in Kenya closed due to the inability to run programs for the foreseeable future.

The consolidated financial statements (collectively, the financial statements) include the accounts of all the entities referred to above (collectively, the Foundation). All significant intercompany balances and transactions have been eliminated in consolidation.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and related changes are classified and reported as follows:

Net Assets Without Donor Restriction - Resources over which the Board has discretionary control are net assets without donor restrictions.

Net Assets With Donor Restriction - Resources subject to donor-imposed stipulations that require they be maintained permanently or that may or will be met by actions of the Foundation and/or the passage of time are net assets with donor restrictions.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from these estimates.

D. Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Foundation maintains cash balances with quality financial institutions. At any point in time, bank balances may exceed FDIC insurance limits.

Starkey Hearing Foundation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

E. Accounts Receivable

Accounts receivable due in the next year are stated at their net realizable value. The Foundation accounts for uncollectible receivables by the reserve method based on management's estimate and past history. Receivables are assessed individually for collectability based on the surrounding facts and circumstances and management's past history. When all collection efforts have been exhausted, the accounts are written off against the allowance. At December 31, 2021 and 2020, the Foundation believes all balances to be collectible, therefore no allowance is necessary.

F. Inventory

Purchased inventories are valued at the lower of cost or market. Inventories consist of donated materials for future fundraising events, donated hearing aids, donated hearing aid batteries, donated ear molds, donated impression materials and other items. The donated inventory items recorded have been valued using the methodologies discussed below regarding donated materials.

G. Property and Equipment

Donated property and equipment is carried at fair value determined at the time of donation (for in-kind contributions of property and equipment) less accumulated depreciation. Purchased property and equipment is carried at cost less accumulated depreciation. Both donated and purchased property and equipment are depreciated using the straight-line method over the estimated useful lives of 3 - 10 years. The Foundation's policy is to capitalize and depreciate property and equipment that has a cost in excess of \$1,500 and an estimated useful life of at least one year. For the years ended December 31, 2021 and 2020, depreciation expense was \$42,768 and \$64,595, respectively.

In November 2015, the Foundation purchased land and buildings located in the Republic of Zambia for \$350,000. The purchased land is subject to the exceptions, reservations, and restrictive covenants and conditions mentioned, contained or referred to in an agreement with a 99-year term dated February 1, 1995, between the president of the Republic of Zambia and Kara Counseling and Training Trust Limited.

H. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

I. Support

The Foundation generally receives support from the following sources: contributions, donated services and materials, and special events. The resource provider of this support may receive value indirectly by providing societal benefit, although that benefit is not considered to be of commensurate value. To the extent the support includes a donor-imposed restriction, the support is reported as with donor restrictions. When the donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), support with donor restrictions is reclassified as support without donor restrictions and is reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

J. Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value determined as of the gift date by appraisal or other appropriate method.

Starkey Hearing Foundation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

K. Donated Services and Materials

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In addition, a number of volunteers have donated significant time to the Foundation's program services and its fundraising campaigns, which have not been reflected in the accompanying financial statements because the recognition criteria were not met. Donated services are recorded as contributions at the estimated fair value that the Foundation would have otherwise paid for the same service. The value of contributed services and materials is recognized as both revenue and expense to the Foundation.

Donated materials are recorded as contributions and inventory at their estimated fair value on the date received. Donated materials are recognized as expense when used in the Foundation's mission.

The Foundation recognized \$36,253 and \$5,195,196 of revenue for donated services and materials for the years ended December 31, 2021 and 2020, respectively. The Foundation recognized \$0 and \$7,155,035 of expenses for donated materials and services for the years ended December 31, 2021 and 2020, respectively. The Foundation also received minimal warehouse space rent-free for the years ended December 31, 2021 and 2020. Due to the minimal space occupied by the Foundation, a reasonable estimate could not be determined and, as such, was not recognized for the years ended December 31, 2021 and 2020.

L. Revenues

The Foundation receives revenues related to Hear Now Program processing fees, tuition, investment loss, disposal of fixed assets and other revenue. Hear Now Program processing fees and tuition are considered to be exchange transactions. Hear Now Program processing fees are recognized when the service has been performed. Tuition revenue is recognized over the term of the related course offering.

M. Functional Expense Allocation

Expenses are specifically allocated to the various programs and supporting services whenever practical. Salaries and related expenses are allocated based on job descriptions and management estimates. Expenses, other than salaries and related expense that are not directly identifiable by program or support service are allocated based on where time is spent and on management estimates.

N. Advertising

The Foundation follows the policy of charging the costs of advertising to expense as incurred. Advertising expense paid was \$27,017 and \$26,731 for the years ended December 31, 2021 and 2020, respectively.

O. Income Taxes

Starkey Hearing Foundation is a nonprofit corporation as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Starkey Hearing Foundation does not have any significant unrelated business income that would be subject to tax.

Starkey Hearing Foundation LLC has been organized as a limited liability company (LLC) under Minnesota Statutes. An LLC is not taxed as a separate entity. Rather, the income or loss of the LLC is included in the income tax returns of the LLC's sole member, Starkey Hearing Foundation.

SHIL and SHF have been organized as companies limited by guarantee and are not taxed as separate entities. Rather, the income or loss of these entities is included on the income tax returns of their members.

Starkey Hearing Foundation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

P. Upcoming Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-02, *Leases*, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Foundation in 2022. The Foundation is currently evaluating the impact of the results of operations, financial condition and cash flows and has not determined the impact on its financial statements at this time.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition to separate presentation on the statement of activities, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized a policy about monetizing rather than utilizing the asset(s). The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact this standard will have on its financial statements.

Q. Subsequent Events

Subsequent events were evaluated through August 16, 2022, which is the date the financial statements were available to be issued.

Note 2: Investment Income

In June 2020, the Foundation liquidated its investments due to the financial impacts of COVID-19. Investment loss total consists of earnings on investments and net gains and losses on investments. For the years ended December 31, 2021 and 2020, investment gain (loss) consists of the following:

	2021	2020
Dividends and interest	\$ 56	\$ 6,500
Realized losses	-	(607)
Unrealized losses	-	(199,256)
Total Net Investment Gain (Loss)	\$ 56	\$ (193,363)

Note 3: Note Payable

In April 2020, the Foundation entered into a promissory note agreement with BMO Harris Bank National Association in the amount of \$484,500 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and governed by the Small Business Administration (SBA). The Note accrues interest at 1 percent per annum and was scheduled to mature in April 2022. Up to 100% of the loan is forgivable when used to pay specified payroll and other costs within the qualified period (generally 24 weeks after receiving the funds). For the years ended December 31, 2021 and 2020, the Foundation received forgiveness in the amount of \$0 and \$351,344, respectively. The principal balance due as of December 31, 2021 is \$47,996.

Starkey Hearing Foundation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Note 3: Note Payable (Continued)

Future principal payments are as follows:

<u>For the Year Ended December 31,</u>	<u>Amount</u>
2022	<u>\$ 47,996</u>

Note 4: Operating Leases

The Foundation leased office spaces under operating leases that are noncancelable and originally expired in October 2023. In August 2020, the Foundation terminated the leases and paid a termination fee of \$180,000. Rent expense was approximately \$85,603 for the year ended December 31, 2020. Future minimum lease payments are \$0 as of December 31, 2021.

Note 5: Net Assets With Donor Restrictions

Net assets with donor restrictions consist of contributions with donor-imposed restrictions. Net assets with donor restrictions as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
U.S. mission trips	\$ 578,983	\$ 9,550
International mission trips	35,000	35,000
Hear Now program	<u>1,856</u>	<u>1,853</u>
Total Net Assets with Donor Restrictions	<u>\$ 615,839</u>	<u>\$ 46,403</u>

Note 6: Donated Services and Materials

Services and materials donated to the Foundation for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Hearing aid and accessory donations	\$ 36,253	\$ 5,070,805
Payroll, taxes, and benefits	-	141,456
Supplies	-	27,191
Other	-	25,954
Occupancy	-	6,073
Travel	-	3,382
Printing, postage, and copying	-	2,054
Telephone and internet	-	846
Food and beverage	<u>-</u>	<u>115</u>
Total Donated Services and Materials	<u>\$ 36,253</u>	<u>\$ 5,277,876</u>

Starkey Hearing Foundation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Note 7: Concentrations

The Foundation's founder is the majority owner of Starkey Hearing Technologies. The Foundation receives support from Starkey Hearing Technologies in the form of donated hearing aids and payment of, or reimbursement for, a portion of the Foundation's expenses of payroll, employee benefits, travel, supplies, advertising and promotion, and mission expenses. This support is recorded as in-kind or cash contributions, as is appropriate, and as inventory or expense, as appropriate.

For the years ended December 31, 2021 and 2020, Starkey Hearing Technologies and its affiliates donated cash, pledge contributions, and donated services and materials of \$0 and \$2,741,619, respectively. Approximately 0% and 40% of the Foundation's total support and revenues were provided by Starkey Hearing Technologies for the years ended December 31, 2021 and 2020, respectively.

Note 8: Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets available to meet cash needs for general expenditures within one year of December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 1,603,287	\$ 778,426
Accounts receivable	-	3,145
Total Financial Assets	1,603,287	781,571
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	(615,839)	(46,403)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 987,448	\$ 735,168

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. As part of this policy, the Foundation carefully monitors and forecasts available cash and other liquid resources on a monthly basis to ensure that sufficient resources are available for all expenditures.

Note 9: COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2021 and 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation has suffered a material impact to its operations.