Columbus Speech & Hearing Center

Financial Report
December 31, 2015

Contents

RSM

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Columbus Speech & Hearing Center
Columbus, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of Columbus Speech & Hearing Center which comprise the statements of financial position as of December 31, 2015 and 2014, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements (collectively, financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbus Speech & Hearing as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Columbus, Ohio
May 26, 2016

Columbus Speech & Hearing Center

Statements of Financial Position
December 31, 2015 and 2014

		2015		2014
Assets				
Current assets:				
Cash and cash equivalents	$	599,667	$	283,704
Receivables:				
Clients, net		221,397		397,972
United Way		149,500		149,500
Pledges		189,496		20,849
Other		9,945		4,165
		570,338		572,486
Prepaids		71,430		77,646
Inventory		3,939		18,041
		75,369		95,687
Total current assets		1,245,374		951,877
Property and equipment, net		2,053,905		2,154,495
Other assets:				
Deposits and other assets		5,000		4,866
	$	3,304,279	$	3,111,238
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	193,997	$	243,351
Notes payable - current		70,000		70,000
Deferred revenue		15,221		-
Total current liabilities		279,218		313,351
Notes payable - noncurrent		485,000		555,000
Total liabilities		764,218		868,351
Net assets:				
Unrestricted		1,805,655		1,946,801
Temporarily restricted		734,406		296,086
Total net assets		2,540,061		2,242,887
	$	3,304,279	$	3,111,238

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	**Total**
Public support:			
United Way funds	$ 149,500	$ 149,500	**$ 299,000**
Contributions and grants	432,315	493,562	**925,877**
Total public support	581,815	643,062	**1,224,877**
Revenue:			
Government fees for services	958,034	-	**958,034**
Clinic fees	1,741,823	-	**1,741,823**
Hearing aid and assistive listening device sales	1,193,554	-	**1,193,554**
Building rental	107,484	-	**107,484**
Investment income	543	-	**543**
Other income	34,268	-	**34,268**
Total revenue	4,035,706	-	**4,035,706**
Net assets released from restrictions:			
Satisfaction of time restrictions	149,500	(149,500)	**-**
Satisfaction of program restrictions	55,242	(55,242)	**-**
Total net assets released from restrictions	204,742	(204,742)	**-**
Total public support and revenue	4,822,263	438,320	**5,260,583**
Expenses:			
Program services	4,308,738	-	**4,308,738**
Supporting services - management and general	444,682	-	**444,682**
Fundraising	209,989	-	**209,989**
Total expenses	4,963,409	-	**4,963,409**
Change in net assets	(141,146)	438,320	**297,174**
Net assets:			
Beginning	1,946,801	296,086	**2,242,887**
Ending	$ 1,805,655	$ 734,406	**$ 2,540,061**

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Public support:			
United Way funds	$ 149,500	$ 149,500	$ 299,000
Contributions and grants	577,803	174,350	752,153
Total public support	727,303	323,850	1,051,153
Revenue:			
Government fees for services	891,216	-	891,216
Clinic fees	1,810,428	-	1,810,428
Hearing aid and assistive listening device sales	1,104,632	-	1,104,632
Building rental	60,312	-	60,312
Investment income	496	-	496
Other income	37,707	-	37,707
Total revenue	3,904,791	-	3,904,791
Net assets released from restrictions:			
Satisfaction of time restrictions	149,500	(149,500)	-
Satisfaction of program restrictions	85,558	(85,558)	-
Total net assets released from restrictions	235,058	(235,058)	-
Total public support and revenue	4,867,152	88,792	4,955,944
Expenses:			
Program services	4,453,555	-	4,453,555
Supporting services - management and general	465,393	-	465,393
Fundraising	225,116	-	225,116
Total expenses	5,144,064	-	5,144,064
Change in net assets	(276,912)	88,792	(188,120)
Net assets:			
Beginning	2,223,713	207,294	2,431,007
Ending	$ 1,946,801	$ 296,086	$ 2,242,887

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Functional Expenses
Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	**Total**
Salaries and wages	$ 2,610,999	$ 319,552	$ 141,466	**$ 3,072,017**
Payroll taxes	194,552	25,267	9,818	**229,637**
Employee benefits	205,341	28,041	4,665	**238,047**
Total compensation	3,010,892	372,860	155,949	**3,539,701**
Hearing aid and assistive listening devices	438,672	-	-	**438,672**
Conferences, meetings and staff development	2,070	422	2,276	**4,768**
Bad debts	-	3,833	-	**3,833**
Consulting, legal and accounting	159,166	19,404	2,203	**180,773**
Printing	16,264	1,336	4,874	**22,474**
Telephone	17,458	973	793	**19,224**
Supplies	36,049	1,775	1,174	**38,998**
Utilities	66,185	7,521	1,504	**75,210**
Maintenance, building and grounds	93,004	10,557	2,111	**105,672**
Postage and shipping	7,431	461	1,065	**8,957**
Public relations and development	10,750	1,039	20,254	**32,043**
Process and service fees	55,473	2,455	2,455	**60,383**
Equipment repair	50,402	889	5,832	**57,123**
Insurance	44,682	3,644	1,798	**50,124**
Transportation	97,213	1,805	36	**99,054**
Interest	13,968	1,587	318	**15,873**
Miscellaneous	6,690	1,145	594	**8,429**
Dues and subscriptions	13,514	1,294	2,176	**16,984**
Depreciation of property and equipment	168,855	11,682	4,577	**185,114**
Total expenses	$ 4,308,738	$ 444,682	$ 209,989	**$ 4,963,409**
Percentage of total expenses	87%	9%	4%	**100%**

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Functional Expenses
Year Ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 2,768,817	$ 316,904	$ 148,563	$ 3,234,284
Payroll taxes	219,856	24,486	11,033	255,375
Employee benefits	190,278	28,183	4,275	222,736
Total compensation	3,178,951	369,573	163,871	3,712,395
Hearing aid and assistive listening devices	407,191	-	-	407,191
Conferences, meetings and staff development	4,109	798	953	5,860
Bad debts	-	15,000	3,000	18,000
Consulting, legal and accounting	142,957	25,979	2,860	171,796
Printing	13,454	2,228	3,055	18,737
Telephone	17,102	1,094	806	19,002
Supplies	40,634	3,103	1,426	45,163
Utilities	67,607	7,683	1,536	76,826
Maintenance, building and grounds	106,922	12,134	2,427	121,483
Postage and shipping	19,592	1,167	1,733	22,492
Public relations and development	11,776	2,649	24,335	38,760
Process and service fees	56,687	2,739	2,647	62,073
Equipment repair	49,434	650	5,911	55,995
Insurance	42,608	3,462	1,708	47,778
Transportation	68,251	188	64	68,503
Interest	14,966	1,701	340	17,007
Miscellaneous	6,925	1,266	925	9,116
Dues and subscriptions	16,105	1,446	2,566	20,117
Depreciation of property and equipment	188,284	12,533	4,953	205,770
Total expenses	$ 4,453,555	$ 465,393	$ 225,116	$ 5,144,064
Percentage of total expenses	87%	9%	4%	100%

See notes to financial statements.

Columbus Speech & Hearing Center

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

		2015		2014
Cash flows from operating activities:				
Change in net assets	**$**	**297,174**	$	(188,120)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		**185,114**		205,770
Gain on sale of property and equipment		**-**		(9,383)
Provision for loss on receivables		**13,125**		(24,100)
Change in:				
Receivables		**(10,977)**		113,743
Prepaid, inventory and other assets		**20,184**		(28,657)
Accounts payable and accrued liabilities		**(49,354)**		26,054
Deferred revenue		**15,221**		-
Net cash provided by operating activities		**470,487**		95,307
Cash flows from investing activities:				
Purchase of property and equipment		**(84,524)**		(41,907)
Proceeds from sale of property and equipment		**-**		17,605
Net cash used in investing activities		**(84,524)**		(24,302)
Cash flows from financing activities:				
Repayments of notes payable		**(70,000)**		(70,000)
Net increase in cash and cash equivalents		**315,963**		1,005
Cash and cash equivalents:				
Beginning		**283,704**		282,699
Ending	**$**	**599,667**	$	283,704
Supplemental disclosures of cash flow information:				
Cash paid for interest	**$**	**15,873**	$	17,007

See notes to financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization and background: The Columbus Speech & Hearing Center (the Center), was founded in 1923 to help all people improve communication and vocational independence for life. The Center is a nonprofit agency which provides services to people of all ages who are deaf, deaf-blind or who may have communication disorders related to speech or hearing impairment. The Center serves clients throughout Ohio and is funded through billings for services or products and grants from third party agencies.

Use of estimates: The accounting and reporting policies of the Center conform to accounting principles generally accepted in the United States of America. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Financial statement presentation: Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

- Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time.
- Permanently restricted net assets: Net assets subject to donor imposed stipulations that they be maintained permanently by the Center. Generally, the donor of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes. The Center did not have any permanently restricted net assets at December 31, 2015 or 2014.

Cash and cash equivalents: For purposes of the statement of cash flows, the Center considers all investments with an original maturity date of three months or less to be cash equivalents.

Accounts receivable: The Center asks for co-pay or full fee at time of service from individuals. The Center follows up on insurance claims after 60 days. If the insurance claim is denied, the amount is due immediately from the individual.

Management estimates an allowance for doubtful accounts and contractual allowances, which amounted to $64,629 and $51,504 as of December 31, 2015 and 2014, respectively. The estimate is based upon management's review of delinquent accounts and an assessment of the Center's historical evidence of collections. Bad debt expense of $3,833 and $18,000 was recognized for the years ended December 31, 2015 and 2014, respectively. Specific accounts are charged directly to the reserve when management obtains evidence of a customer's insolvency or otherwise determines the account is uncollectible.

Property and equipment: Property and equipment are recorded at cost, less accumulated depreciation and amortization. Provisions for depreciation and amortization are computed using the straight-line method based on estimated useful lives of 5-30 years for buildings and improvements, 10 years for program, office and mobile equipment and 3 years for computer equipment.

The Center capitalizes the cost of all property and equipment additions in excess of $500; the fair value of donated property and equipment is similarly capitalized. When property and equipment is sold or retired, the cost and related accumulated depreciation is removed from the accounts.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Impairment of long-lived assets: The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Measurement of any impairment would include a comparison of estimated undiscounted future cash flows to be generated during the remaining life of the asset to its net carrying value. The Center believes the carrying values of all long-lived assets at December 31, 2015 and 2014 are recoverable.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximates fair value due to the short term nature of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with market interest rates.

Concentration of credit risk: The Center places its cash with financial institutions, and has cash on deposit from time to time in one financial institution in excess of insurance coverage provided by the Federal Deposit Insurance Corporation. The finance committee periodically reviews and approves the selection of financial institutions. The Center continually monitors these balances to minimize the risk of loss.

Revenue recognition: The Center records contributions received as revenue in the year pledged. These amounts are recorded at their fair values. The Center reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted support. The Center reports contributions of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grant support is recognized over the grant period. Grants received under cost-reimbursement programs are recognized to the extent expenses are incurred. Grants received in advance of grant periods are recorded as deferred revenue until the services are performed. Grant revenue is recorded as unrestricted revenue when the grantor restrictions are met in the same reporting period.

Revenue from clinic fees is recognized when the services are performed. Revenue from the sale of hearing aids and assistive listening devices is recognized upon delivery to the patient.

Donated services and assets: Contributed services are recorded when they meet the criteria of (1) creating or enhancing nonfinancial assets, or, (2) requiring specialized skills, and provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donated services for the years ended December 31, 2015 and 2014.

Advertising: The Center's advertising efforts are associated with nondirect-response programs. The costs are expensed as incurred. The Center had advertising expenses for the years ended December 31, 2015 and 2014 of $1,984 and $4,005, respectively.

Functional expenses: The Center allocates its expenses on a functional basis among its various programs and support services. Expenses are allocated either directly according to their natural expenditure classification or by various statistical bases.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Tax exempt status: The Center is exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code. However, the Center is taxed on other unrelated income, if any exists. Currently, the only unrelated business income is rental income.

The Center follows Financial Accounting Standards Board (FASB) guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Center, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2015 and 2014, there were no material unrecognized tax benefits identified or recorded as liabilities.

The Center files forms 990 and 990T in the U.S. federal jurisdiction. With few exceptions, the Center is no longer subject to examination by the Internal Revenue Service of tax years three to five years from the date of filing.

Pending pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2019, with early adoption permitted. The Center is in the process of evaluating the impact of this new guidance.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent events: The Center has evaluated subsequent events for potential recognition and/or disclosure through May 26, 2016, the date the financials were available to be issued.

Note 2. Property and Equipment

Property and equipment consisted of the following at December 31:

	2015	2014
Land	$ 240,000	$ 240,000
Building and improvements	4,631,201	4,588,157
Program equipment	396,092	396,092
Office equipment	817,572	816,119
Construction in progress	48,508	8,481
	6,133,373	6,048,849
Less: accumulated depreciation and amortization	(4,079,468)	(3,894,354)
Net property and equipment	$ 2,053,905	$ 2,154,495

Note 3. Notes Payable

Notes payable consisted of the following at December 31:

	2015	2014
Revenue bonds payable	$ 555,000	$ 625,000
Less current maturities	70,000	70,000
	$ 485,000	$ 555,000

Future maturities on notes payable are as follows for the year ending December 31:

2016	$ 70,000
2017	70,000
2018	75,000
2019	80,000
2020	80,000
Thereafter	180,000
	$ 555,000

In March 2002, the Center entered into tax-exempt bonds issued by Franklin County in the amount of $1,200,000, maturing through 2022. The bonds are Health Care Facilities Revenue Bonds that bear interest at a variable rate as determined each week by the Remarketing Agent. The rate is determined by the Remarketing Agent and shall be the minimum rate necessary for the Remarketing Agent to sell the bonds. The variable rate shall not exceed the lesser of 10% per annum or the maximum rate permitted by law. At the option of the Center, with a 45-day notice, the bonds can be converted to fixed rate bonds. The interest rate at December 31, 2015 and 2014 was .17% and .19%, respectively. The bonds are secured by a standby letter of credit from a financial institution which expires in April 2017. There were no standby letters of credit executed or outstanding at December 31, 2015 and 2014.

The Center has an available line of credit agreement in the amount of $500,000. There were no borrowings outstanding on the line of credit at December 31, 2015 and 2014. Interest was payable on the outstanding balance monthly at the prime rate. Effective June 2014, the line of credit now bears interest at LIBOR plus 3.24%. At December 31, 2015, the prime rate and LIBOR rate were 3.50% and .24%, respectively. At December 31, 2014, the prime rate and LIBOR rate were 3.25% and .15%. The agreement matures June 13, 2016, and is collateralized by the current assets of the Center.

Note 4. Employee Benefit Plan

The Center maintains a 401(k) plan (the Plan) for eligible employees. Employees are eligible to participate in the Plan at the time of hire. Employees are eligible for employer contributions after completing one year of service and providing at least 1,000 hours. Participants become fully vested in employer contributions after three years. Contributions are generally made by the Center annually and are made at management's discretion. The Center made no contributions to the Plan in 2015 and 2014. The Center also maintains a 403(b) plan for highly compensated employees or other employees not eligible for the 401(k) plan. There are no matching contributions to the 403(b) plan.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2015	2014
United Way allocations not yet received	$ 149,500	$ 149,500
Garage renovation	350,000	-
Various programs	234,906	146,586
	$ 734,406	$ 296,086

Note 6. Special Events

The Center annually sponsors the Great Communicators Golf Outing. During 2014 the Center also sponsored a Columbus Crew event. Contributions and grants include revenue of $70,195 and $82,817 for 2015 and 2014, respectively. Total expenses associated with the events were $19,735 and $24,336 for 2015 and 2014, respectively.

Note 7. Leases

The Center leases a portion of its building to third parties under long-term agreements expiring at various dates through November 2020, with renewal options for additional periods in certain cases. The Center generally pays real estate taxes, insurance and specified maintenance costs. Future minimum rentals under these non-cancelable leases are as follows:

2016	$ 130,439
2017	125,009
2018	90,458
2019	63,333
2020	15,125
	$ 424,364

Rental income for the years ended December 31, 2015 and 2014 was $107,484 and $60,312, respectively.

Note 8. Terminated Programs

During 2014, the management team and board of directors approved the termination of the non-core occupational therapy and specialized preschool programs effective May 30, 2014, in order to concentrate on the core mission of the Center and build sustainability into the future. The programs accounted for approximately $171,000 of revenue and $242,000 of direct and allocated expenses on accompanying statements of activities and changes in net assets for the year ended December 31, 2014.

Note 9. Commitments and Contingencies

The Center is subject to claims and lawsuits in the ordinary course of business. In the opinion of management, the Center has adequate legal defenses and/or adequate insurance coverage for such matters. If not insured, management believes that such matters will not, in the aggregate, have a materially adverse impact on the Center's financial position, results of future operations or cash flows.