



# Consolidated Financial Statements

Starkey Hearing Foundation and Subsidiaries  
Eden Prairie, Minnesota

For the years ended December 31, 2022 and 2021



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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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021. 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 \$1,001,907 and \$999,977 as of December 31, 2022 and 2021, respectively, and total revenue of \$688,664 and \$539,237 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.

### Correction of Error

As Discussed in Note 9 to the financial statements, certain errors resulting in overstatement of amounts previously reported for accounts receivable and revenue as of December 31, 2021, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for accounts receivable, and sales have been restated in the 2022 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2021, to correct the error. Our opinion is not modified with respect to this matter.



**Abdo**  
Minneapolis, Minnesota  
September 1, 2023



## CONSOLIDATED FINANCIAL STATEMENTS

Starkey Hearing Foundation and Subsidiaries  
Consolidated Statements of Financial Position  
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 562,076	\$ 1,603,287
Investments	573,319	-
Pledges receivable, net	100	-
Inventory	841,683	1,011,621
Prepaid expenses	43,018	48,046
Total Current Assets	2,020,196	2,662,954
Property and Equipment		
Land	113,939	113,939
Building and improvements	905,874	867,669
Software and equipment	860,587	838,178
Total Property and Equipment, cost	1,880,400	1,819,786
Less: Accumulated depreciation	(888,029)	(850,221)
Property and Equipment, net	992,371	969,565
Total Assets	\$ 3,012,567	\$ 3,632,519
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 159,021	\$ 1,888
Accrued expenses	8,728	4,579
Note payable, current	-	47,996
Total Liabilities	167,749	54,463
Net Assets		
Without donor restriction	2,228,979	2,962,217
With donor restriction	615,839	615,839
Total Net Assets	2,844,818	3,578,056
Total Liabilities and Net Assets	\$ 3,012,567	\$ 3,632,519

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, 2022

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions	\$ 747,937	\$ -	\$ 747,937
Donated services and materials	588,529	-	588,529
Total Support	1,336,466	-	1,336,466
Revenue			
Investment income	3,886	-	3,886
Loss on disposal of fixed assets	(20,031)	-	(20,031)
Other revenue	390	-	390
Total Revenue	(15,755)	-	(15,755)
Total Support and Revenue	1,320,711	-	1,320,711
Expenses			
Program services			
International	1,618,284	-	1,618,284
Supporting services			
Management and general	431,796	-	431,796
Fundraising	3,869	-	3,869
Total supporting services	435,665	-	435,665
Total Expenses	2,053,949	-	2,053,949
Change in Net Assets	(733,238)	-	(733,238)
Net Assets, Beginning of Year	2,962,217	615,839	3,578,056
Net Assets, End of Year	\$ 2,228,979	\$ 615,839	\$ 2,844,818

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, 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	107,952	-	107,952
Total Support	1,374,213	569,436	1,943,649
Revenue			
Hear Now Program processing fees	15,545	-	15,545
Gain on sale of investments	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	330,573	569,436	900,009
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	(663,339)	569,436	(93,903)
Net Assets, Beginning of Year	3,625,556	46,403	3,671,959
Net Assets, End of Year	\$ 2,962,217	\$ 615,839	\$ 3,578,056

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, 2022

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
	<u>International</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Payroll, taxes and benefits	\$ 13,800	\$ 125,951	\$ -	\$ 125,951	\$ 139,751
Travel	109,816	50,813	-	50,813	160,629
Consulting	428,779	124,134	-	124,134	552,913
Mission expenses	14,851	25	-	25	14,876
Professional fees	63,293	54,970	-	54,970	118,263
Other	105,437	33,188	2,527	35,715	141,152
Occupancy	12,107	-	-	-	12,107
Supplies	89,746	15,059	-	15,059	104,805
Hearing aid and accessory donations	685,000	-	-	-	685,000
Food and beverage	3,733	-	-	-	3,733
Depreciation	37,808	-	-	-	37,808
Printing, postage and copying	5,201	458	-	458	5,659
Telephone and internet	13,617	100	-	100	13,717
Bank fees	1,166	12,549	1,342	13,891	15,057
Insurance	1,818	2,861	-	2,861	4,679
Interest expense	675	-	-	-	675
Advertising and promotion	29,751	11,688	-	11,688	41,439
Facility rental	1,686	-	-	-	1,686
<b>Total Expenses</b>	<b><u>\$ 1,618,284</u></b>	<b><u>\$ 431,796</u></b>	<b><u>\$ 3,869</u></b>	<b><u>\$ 435,665</u></b>	<b><u>\$ 2,053,949</u></b>

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, 2021

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
	<u>International</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
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 debts	-	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
	<u>\$ 639,610</u>	<u>\$ 345,049</u>	<u>\$ 9,253</u>	<u>\$ 354,302</u>	<u>\$ 993,912</u>
Total Expenses	<u>\$ 639,610</u>	<u>\$ 345,049</u>	<u>\$ 9,253</u>	<u>\$ 354,302</u>	<u>\$ 993,912</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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (733,238)	\$ (93,903)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	37,808	42,768
Unrealized gain on investments	(37)	-
Loss on disposal of fixed assets	20,031	-
Loss on write-off of expired inventory	-	1,059,241
(Increase) decrease in assets:		
Accounts receivable	-	3,145
Pledges receivable	(100)	-
Inventory	169,938	(107,952)
Prepaid expenses	5,028	52,650
Increase (decrease) in liabilities:		
Accounts payable	157,133	(36,180)
Accrued expenses	4,149	(9,748)
Net Cash Provided (Used) by Operating Activities	(339,288)	910,021
 Cash Flows from Investing Activities		
Purchases of investments	(573,282)	-
Purchases of property and equipment	(80,645)	-
Net Cash Used by Investing Activities	(653,927)	-
 Cash Flows from Financing Activities		
Payments on long-term debt	(47,996)	(85,160)
 Net Increase (Decrease) in Cash and Cash Equivalents	(1,041,211)	824,861
 Beginning Cash and Cash Equivalents	1,603,287	778,426
 Ending Cash and Cash Equivalents	\$ 562,076	\$ 1,603,287
 Supplemental disclosure for cashflow information		
Cash paid during the year for:		
Interest	\$ 675	\$ -

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

Starkey Hearing Foundation and Subsidiaries  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**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, 2022 and 2021

**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, 2022 and 2021, 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, 2022 and 2021, depreciation expense was \$37,808 and \$42,768, 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, 2022 and 2021

**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 \$588,529 and \$107,952 of revenue for donated services and materials for the years ended December 31, 2022 and 2021, respectively. The Foundation recognized \$685,000 and \$0 of expenses for donated materials and services for the years ended December 31, 2022 and 2021, respectively. The Foundation also received minimal warehouse space rent-free for the years ended December 31, 2022 and 2021. 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, 2022 and 2021.

**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.

**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 expenses 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 \$41,439 and \$27,017 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

## Note 1: Summary of Significant Accounting Policies (Continued)

### P. New Accounting Pronouncements

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 were applied on a retrospective basis and are effective for the Organization in 2022.

### Q. Subsequent Events

Subsequent events were evaluated through September 1, 2023, which is the date the financial statements were available to be issued.

## Note 2: Fair Value Measurements

Fair value measurement accounting literature establishes a fair value hierarchy based on the priority of the inputs to the valuation methodologies used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access.

**Level 2** - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held are deemed to be actively traded.

*Cash Equivalents:* Valued at \$1 per share.

*Fixed Income Securities:* Valued at the daily closing price of the underlying stocks and bonds. The stocks and bond funds held by the Organization are deemed to be actively traded.

Starkey Hearing Foundation and Subsidiaries  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**Note 2: Fair Value Measurements (Continued)**

The Organization's investments reported at fair value in the accompanying statement of financial position consist of the following at December 31, 2022:

	<u>Level 1</u>	<u>Total</u>
December 31, 2022		
Investments - Mutual Funds	\$ 56,026	\$ 255,521
Investments - Cash equivalents	218,130	218,130
Investments - Fixed income	<u>299,163</u>	<u>299,163</u>
Total	<u>\$ 573,319</u>	<u>\$ 573,319</u>

The income associated with the Organizations investments consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 3,849	\$ 56
Unrealized gain	<u>37</u>	<u>-</u>
Total Net Investment Gain	<u>\$ 3,886</u>	<u>\$ 56</u>

**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). There are no future payments as of December 31, 2022, as this was paid off in 2022.

**Note 4: 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, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
U.S. mission trips	\$ 578,983	\$ 578,983
International mission trips	35,000	35,000
Hear Now program	<u>1,856</u>	<u>1,856</u>
Total Net Assets with Donor Restrictions	<u>\$ 615,839</u>	<u>\$ 615,839</u>



Starkey Hearing Foundation and Subsidiaries  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**Note 5: Donated Services and Materials**

Services and materials donated to the Foundation for the years ended December 31, 2022 and 2021 consisted of the following:

	2022	2021	Usage in Programs / Activities	Fair Value Techniques
Hearing aid and accessory donations	\$ 588,529	\$ 107,952	International	Estimated wholesale prices of identical or similar products if purchased in the region

There were no donor restrictions related to these in-kind donations.

**Note 6: 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, 2022 and 2021, Starkey Hearing Technologies and its affiliates donated cash, pledge contributions, and donated services and materials of \$588,529 and \$0, respectively. Approximately 45% and 0% of the Foundation's total support and revenues were provided by Starkey Hearing Technologies for the years ended December 31, 2022 and 2021, respectively.

**Note 7: 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, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 562,076	\$ 1,603,287
Investments	573,319	-
Pledges receivable, net	100	-
Total Financial Assets	<u>1,135,495</u>	<u>1,603,287</u>
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	<u>(615,839)</u>	<u>(615,839)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 519,656</u>	<u>\$ 987,448</u>

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 8: Prior Period Adjustment**

The accompanying financial statements for 2022 have been restated to correct an error in the acquisition accounting and in-kind income, which affected the balance of net assets, inventory and in-kind donations in 2021. The effect of the restatements was to increase inventory for 2021 by \$71,699. Net assets at the beginning of 2022 have been adjusted for the effects of the restatement on prior years.