

**THE AMERICAN TINNITUS
ASSOCIATION**

**Audited Financial
Statements**

**For the Year Ended
June 30, 2010**



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA

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of counsel*

The Board of Directors
The American Tinnitus Association
Portland, Oregon

We have audited the accompanying statement of financial position of The American Tinnitus Association (the Organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated October 16, 2009, we expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Tinnitus Association as of June 30, 2010, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Strength in Numbers

- 1 -

ACCOUNTANTS & CONSULTANTS

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Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of funded research grants for the year ended June 30, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and accordingly, we express no opinion on it.

McDonald Jacobz, P.C.

October 19, 2010

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
June 30, 2010
(With comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 267,148	\$ 366,823
Investments	377,660	451,863
Accounts receivable	5,675	700
Prepaid expenses	9,416	13,060
Inventory	8,416	9,322
Property and equipment, net	<u>9,691</u>	<u>16,207</u>
 TOTAL ASSETS	 <u>\$ 678,006</u>	 <u>\$ 857,975</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 45,719	\$ 56,715
Grants payable	<u>55,500</u>	<u>27,078</u>
Total liabilities	<u>101,219</u>	<u>83,793</u>
 Net assets:		
Unrestricted:		
Undesignated	509,314	666,817
Net property and equipment	<u>9,691</u>	<u>16,207</u>
Total unrestricted	519,005	683,024
Temporarily restricted	<u>57,782</u>	<u>91,158</u>
Total net assets	<u>576,787</u>	<u>774,182</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 678,006</u>	 <u>\$ 857,975</u>

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010
(With comparative totals for 2009)

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions	\$ 623,952	\$ 166,971	\$ 790,923	\$ 860,909
Combined Federal Campaign	33,880	-	33,880	39,938
Bequests	1,743	-	1,743	117,917
Investment income (loss)	24,306	153	24,459	(74,981)
Books, brochures and publications, less direct costs of \$14,647 for 2010 and \$16,052 for 2009	20,036	-	20,036	16,981
Special event revenue	-	-	-	3,040
Other income	6,232	-	6,232	7,136
Net assets released from restrictions:				
Satisfaction of purpose restrictions	200,500	(200,500)	-	-
Total support and revenue	910,649	(33,376)	877,273	970,940
Expenses:				
Program	811,366	-	811,366	979,260
Management and general	46,742	-	46,742	89,435
Fundraising	216,560	-	216,560	330,904
Total expenses	1,074,668	-	1,074,668	1,399,599
 Change in net assets	 (164,019)	 (33,376)	 (197,395)	 (428,659)
Net assets:				
Beginning of year	683,024	91,158	774,182	1,202,841
 End of year	 \$ 519,005	 \$ 57,782	 \$ 576,787	 \$ 774,182

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2010
(With comparative totals for 2009)

	Program			Supporting Services				
	Advocacy	Research	Support	Total Program	Management and General	Fund-Raising	2010 Total	2009 Total
Salaries and payroll taxes	\$ 99,724	\$ 95,107	\$ 103,123	\$ 297,954	\$ 22,122	\$ 110,972	\$ 431,048	\$ 621,375
Employee benefits	12,889	12,292	13,329	38,510	2,859	14,343	55,712	56,132
Staff development	210	200	217	627	47	234	908	1,593
Total personnel expenses	112,823	107,599	116,669	337,091	25,028	125,549	487,668	679,100
Advertising	-	-	-	-	-	-	-	1,113
Audit and legal fees	2,604	2,500	2,692	7,796	637	2,898	11,331	19,215
Board expenses	2,109	4,742	2,004	8,855	10,217	2,320	21,392	36,355
Consulting fees:								
Organizational	65,513	2,397	2,599	70,509	558	2,797	73,864	62,689
Computer	3,817	3,641	3,947	11,405	847	4,248	16,500	16,840
Programs	-	-	742	742	-	-	742	4,902
Grants	-	200,500	-	200,500	-	-	200,500	252,630
Dues and publications	-	-	-	-	-	-	-	343
Insurance	1,324	1,263	1,369	3,956	293	1,473	5,722	5,707
Office expenses	1,643	1,525	1,617	4,785	381	1,722	6,888	6,789
Postage	2,627	11,988	6,550	21,165	622	28,190	49,977	60,250
Printing	4,295	50,940	1,013	56,248	204	19,074	75,526	101,320
Occupancy	7,298	6,960	7,547	21,805	1,619	8,121	31,545	39,210
Equipment rental and maintenance	2,226	2,123	2,302	6,651	494	2,478	9,623	9,068
Telephone	8,923	843	1,590	11,356	511	2,329	14,196	16,510
Travel and conferences	11,464	9,227	510	21,201	1,638	2,752	25,591	35,338
Depreciation	1,507	1,438	1,559	4,504	334	1,678	6,516	6,606
Other	7,794	7,704	7,299	22,797	3,359	10,931	37,087	45,613
Total expenses	\$ 235,967	\$ 415,390	\$ 160,009	\$ 811,366	\$ 46,742	\$ 216,560	\$ 1,074,668	\$ 1,399,598

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2010
(With comparative totals for 2009)

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (197,395)	\$ (428,659)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	6,516	6,606
Net realized/unrealized (gain) loss on investments	(17,557)	88,891
(Increase) decrease in:		
Accounts receivable	(4,975)	24,798
Prepaid expenses	3,644	2,782
Inventory	906	(1,866)
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,996)	(111,653)
Grants payable	28,422	(184,572)
Net cash used in operating activities	(191,435)	(603,673)
Cash flows from investing activities:		
Purchase of property and equipment	-	(6,000)
Proceeds from the sale of investments	292,912	508,093
Purchase of investments	(201,152)	(229,212)
Net cash provided by investing activities	91,760	272,881
 Net decrease in cash and cash equivalents	(99,675)	(330,792)
 Cash and cash equivalents - beginning of year	366,823	697,615
 Cash and cash equivalents - end of year	\$ 267,148	\$ 366,823

See notes to financial statements.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1. **NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The American Tinnitus Association (ATA or the Organization) is organized to carry on and support research and education activities relating to the treatment and cure of tinnitus. ATA is the nation's foremost organization working to cure tinnitus. ATA also promotes advocacy and public awareness to further its mission. Since 1980, ATA has funded approximately \$5.1 million in tinnitus research, representing 103 research projects.

The majority of the Organization's support and revenues are received from contributions and bequests.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are carried at fair value.

Inventory

Inventory consists of publications and is stated at lower of cost (first-in, first out) or market.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment purchased are recorded at cost. Depreciation of furniture and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 10 years.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

The American Tinnitus Association is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state law. Accordingly, no provision for income taxes has been recorded. The Organization is not a private foundation.

Accounts Receivable

Accounts receivable are unsecured and reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose 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.

Contributions are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2009

The financial information as of June 30, 2009 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through October 19, 2010, the date the financial statements were available to be issued.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

2. INVESTMENTS

Investments at June 30, 2010 and 2009 are carried at fair value and consist of the following:

	2010	2009
Cash equivalents	\$ 179,574	\$ 294,572
Certificates of deposit	24,998	-
Common stock	173,088	157,291
Total investments	\$ 377,660	\$ 451,863

Investment income (loss) is as follows:

	2010	2009
Interest and dividends	\$ 6,902	\$ 13,910
Realized gain (loss) on sale of investments	15,118	(69,618)
Unrealized gain (loss) on investment valuation	2,439	(19,273)
Net investment income (loss)	\$ 24,459	\$ (74,981)

Investment fees netted against investment income approximated \$3,900 and \$4,000 for the years ended June 30, 2010 and 2009, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2010 and 2009:

	2010	2009
Furniture and equipment	\$ 109,659	\$ 113,773
Less accumulated depreciation	99,968	97,566
Property and equipment, net	\$ 9,691	\$ 16,207

4. GRANTS PAYABLE

Grants payable represent unconditional promises to give and are payable within one year.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

5. LEASE COMMITMENTS

The Organization leases its office under a 5-year operating lease agreement through August 2013 for \$2,696 per month. The Organization also leases equipment for a total of \$1,124 per month under leases qualifying as operating leases through March 2010, September 2011 and December 2013. Office and equipment rent expense approximated \$43,200 and \$44,900 for the years ended June 30, 2010 and 2009, respectively.

Minimum future lease payments under these leases are as follows:

For the year ending June 30, 2011	\$ 40,900
2012	38,300
2013	37,800
2014	8,100
	<u>\$ 125,100</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 and 2009 are restricted for use in research programs.

7. RETIREMENT PLAN

The Organization has a retirement savings program for its employees under IRC Sec. 401(k). Employees are eligible to participate at age 18 and 6 months of service. The Organization will match 100% of an elective contribution up to 2.5% of compensation with a six year vesting period of 20% each year after the first year. Contributions to the plan for 2010 and 2009 approximated \$5,400 and \$6,000, respectively.

8. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in several financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Money market balances in investment brokerage accounts are not FDIC insured. Uninsured cash balances (including cash equivalents shown with investments) approximated \$616,000 and \$714,000 at June 30, 2010 and 2009, respectively.

THE AMERICAN TINNITUS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

9. RELATED PARTY DISCLOSURE

During the years ended June 30, 2010 and 2009, the Organization granted \$95,000 and \$60,000, respectively, to researchers at a university that employs a board member.

10. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at June 30 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
2010:			
Certificates of deposit	\$ 24,998	\$ -	\$ 24,998
Common stock	173,088	173,088	-
2009:			
Common stock	\$ 157,291	\$ 157,291	\$ -

Fair values for common stock and bonds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for certificates of deposit are amounts as reported by the financial institutions that hold the funds.

SUPPLEMENTAL INFORMATION

THE AMERICAN TINNITUS ASSOCIATION
SUPPLEMENTAL INFORMATION - UNAUDITED
Schedule of Funded Research Grants
For the year ended June 30, 2010

	<u>Beginning Grants Payable</u>	<u>Grants Committed in 2010</u>	<u>Grants Paid in 2010</u>	<u>Ending Grants Payable</u>
Oregon Health & Science University c/o William Martin Portland, OR	\$ 27,078	\$ -	\$ 27,078	\$ -
Wayne State University c/o Paul Finlayson Detroit, MI	-	45,000	45,000	-
Wayne State University c/o Avril Genene-Holt Detroit, MI	-	50,000	50,000	-
University Medical Center Groningen c/o Pim Van Dijk Groningen, The Netherlands	-	50,000	50,000	-
East Tennessee State University c/o Rebecca Haas Johnson City, TN	-	5,500	-	5,500
University of California c/o Fan-Gang Zeng Irvine, CA	-	50,000	-	50,000
Total funded research grants	<u>\$ 27,078</u>	<u>\$ 200,500</u>	<u>\$ 172,078</u>	<u>\$ 55,500</u>

See auditor's report.