

**SOUND START BABIES
PROGRAM FOR DEAF AND HARD
OF HEARING CHILDREN**

**Independent Auditors' Report and
Financial Statements for the Year
Ended August 31, 2021**

**SOUND START BABIES PROGRAM FOR DEAF AND
HARD OF HEARING CHILDREN**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Sound Start Babies Program for Deaf and Hard of Hearing Children

We have audited the accompanying financial statements of Sound Start Babies Program for Deaf and Hard of Hearing Children (a non-profit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 statement referred to above present fairly, in all material respects, the financial position of Sound Start Babies Program for Deaf and Hard of Hearing Children as of August 31, 2021, and the changes in its net assets and its cash flows for the year ended August 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Van Duyne, Bruno & Co., P.A.

Pine Brook, NJ
June 22, 2022

**SOUND START BABIES PROGRAM FOR DEAF AND
HARD OF HEARING CHILDREN**

**STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021**

	<u>2021</u>
ASSETS	
<u>CURRENT ASSETS</u>	
Cash and cash equivalents	\$ 163,912
Employee retention credit receivable	150,940
Prepaid insurance	<u>10,688</u>
Total current assets	325,540
Furniture and fixtures, net of accumulated depreciation	<u>35,583</u>
Total assets	<u>\$ 361,123</u>
LIABILITIES AND NET ASSETS	
<u>CURRENT LIABILITIES</u>	
Accounts payable and accrued expenses	\$ 4,500
Due to Sound Start Foundation	87,251
Due to Mountain Lakes, Board of Education	<u>357</u>
Total current liabilities	92,108
<u>Net assets</u>	
Net assets without donor restrictions:	
Total net assets without donor restrictions	<u>269,015</u>
Total liabilities and net assets	<u>\$ 361,123</u>

**SOUND START BABIES PROGRAM FOR DEAF AND
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**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>Without Donor Restrictions</u>
SUPPORT REVENUE	
Support:	
Reimbursement from the State of New Jersey Department of Health	\$ 190,148
Tuition revenue	34,328
Evaluations	<u>250</u>
Total support	<u>224,726</u>
EXPENSES	
Program Services:	
Education and therapy	<u>319,092</u>
Total program services	<u>319,092</u>
Support Services:	
Management and general	<u>6,736</u>
Total support services	<u>6,736</u>
Total expenses	<u>325,828</u>
CHANGE IN NET ASSETS	(101,102)
Net assets, beginning	399,966
Contributed net assets to the Sound Start Foundation	<u>(29,849)</u>
Net assets, ending	<u><u>\$ 269,015</u></u>

**SOUND START BABIES PROGRAM FOR DEAF AND
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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021**

	Program	Support Services	Total
	Education and Therapy	Management and General	2021
Auto expenses	\$ 299	\$ -	\$ 299
Salaries	258,420	-	258,420
Payroll taxes	41,063	-	41,063
Licenses and fees	-	508	508
Depreciation expense	6,059	-	6,059
Insurance	-	972	972
Workers comp insurance	4,352	-	4,352
Supplies/Professional Dev./Misc	3,145	-	3,145
Bank charges	-	15	15
Service contracts	3,421	-	3,421
Auditing fees	-	4,500	4,500
Payroll processing fees	2,189	-	2,189
Telephone	-	432	432
Office	-	309	309
Miscellaneous	144	-	144
Total Expense	<u>\$ 319,092</u>	<u>\$ 6,736</u>	<u>\$ 325,828</u>

**SOUND START BABIES PROGRAM FOR DEAF AND
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**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	\$ 6,059
Increase (decrease) in:	
Cash collected from support services	224,726
Cash paid from program expenses	(319,092)
Cash paid from management and general expenses	(6,736)
Increase in employee retention credit receivable	(150,940)
Increase in prepaid insurance	(10,688)
Decrease in accounts payable	(1,400)
Cash flows used in operating activities	<u>(258,071)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
Repayment to Mountain Lakes, Board of Education	(53,998)
Advances to Sound Start Foundation	88,902
Distributed net assets to the Sound Start Foundation	(29,849)
Cash flows provided by financing activities	<u>5,055</u>
Change in cash and cash equivalents	(253,016)
Cash and cash equivalents, beginning of year	<u>416,928</u>
Cash and cash equivalents, end of year	<u>\$ 163,912</u>

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
HEARING CHILDREN
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021**

Note 1 – Summary of Significant Accounting Policies

Nature of activities

Historically, the Sound Start Babies Foundation for Deaf and Hard of Hearing Children, a non-profit corporation conducted charitable and educational activities and sought funding to support infants and children with hearing loss from birth through age three and their families through identification, therapy, and education. Effective July 20, 2020, the Sound Start Babies Foundation for Deaf and Hard of Hearing Children, a 501(c) (3) corporation, took a new name and became the Sound Start Babies Program for Deaf and Hard of Hearing Children (the Program) emphasizing the programmatic portion of their responsibilities. At that time the Program board of dedicated volunteers began to fully manage and administer the early intervention program including payroll and operational activities. A new entity known as the Sound Start Foundation (the Foundation) was created to continue fundraising efforts to provide financial support to the Sound Start Babies Program. The Sound Start Babies Program has helped more than 1,500 children from northern and central New Jersey achieve listening, speaking, and communication skills that are the foundation for academic success and independent adult functioning. The Program is partially supported by reimbursement for services provided from the New Jersey Department of Health and through tuition payments from community children enrolled in the nursery program. The Foundation through grants to the Program provides funds to help offset shortfalls in reimbursement.

Basis of accounting

The Program follows the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America and in accordance with the AICPA's Audit and Accounting Guide, Nonprofit Organizations and other pronouncements applicable to non-profit organizations.

Basis of presentation

The Program reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

The net assets (fund balances) of \$269,015 as of August 31, 2021 are to support the existing students in the program in the event fundraising efforts do not meet financial goals.

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
HEARING CHILDREN
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021**

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue and Support Recognition

Contributions are recognized when they are unconditionally promised. Conditional promises to give are recognized as contributions when substantially all conditions are met. Contributions received are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as support with donor restriction if they are received with donor stipulations that limit their use, or if they are designed as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as “Net assets released from restrictions”.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills and are performed by people whose services would otherwise be purchased by the Organization.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments, with an initial maturity of three months or less.

Furniture and fixtures

Furniture and fixtures are stated at cost and are depreciated using the straight-line and accelerated methods of depreciation over their estimated useful lives of 5 to 10 years.

Employee Retention Credit Receivable

In 2021, the Program submitted filings to the Internal Revenue Service to amend payroll tax filings to apply for the Employee Retention Credit program (ERC). According to section 3134 of the Internal Revenue Service code, The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. The ERC was extended to cover qualified wages through September 30, 2021. For each employee, wages (including certain health plan costs) up to \$10,000 can be counted to determine the amount of the 50% credit. As of August 31, 2021, the Program recorded a credit (reduction) against wages and recorded a receivable of \$150,940, which represents funds the Program has submitted for approval from the Internal Revenue Service based on the tax code listed above, covering the 3rd and 4th quarters of 2020 and the first two quarters of 2021 and a 2/3 portion of the third quarter 2021. Management anticipates 100% collection of these funds from the Internal Revenue Service in 2022.

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021**

Note 1 – Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The category “Management and General” in the accompanying statements indicates those costs that are not specifically identifiable with a particular program but provide for the overall support and direction of the Program.

Utilization of estimates

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

Income tax status

The Program is a not-for-profit that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509(a) of the Internal Revenue Code. The Program is subject to federal excise taxes and taxes on unrelated business income.

The Program adopted the provision pertaining to uncertain tax position (ASC Topic 740) and had determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The organization files Federal as well as New Jersey tax returns. The Program’s tax returns are no longer subject to tax examinations by Federal or State taxing authorities for years before 2018.

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021**

Note 2 - Furniture and Fixtures

Furniture and fixtures at August 31, 2021 consists of the following:

	<u>2021</u>
Furniture and fixtures	\$ 60,591
Less: accumulated depreciation	<u>(25,008)</u>
Furniture and fixtures, net	<u>\$ 35,583</u>

Depreciation expense for the year ended August 31, 2021 amounted to \$6,059 and is included in program expenses on the statement of functional expenses.

Note 3 – Fair Value of Financial Instruments

Financial instruments

The following methods and assumptions were used by the Program in estimating its fair value disclosure for recurring financial instruments:

Cash and cash equivalents: The carrying amount reported in the statement of financial position approximates fair value because of the short-term nature of accounts.

Accounts payable: The carrying amount reported in the statement of financial position approximates fair value because of the short-term nature of the accounts.

Note 4 – Concentration of Credit Risk

The Program maintains its cash account in various financial institutions located in Northern New Jersey. During the year, the cash balances can exceed federally insured limits. Management believes the Program has no significant risk of loss on these amounts due to a failure of institutions.

Note 5 – Due to Sound Start Foundation

Represents contributions received by the Program on behalf of the Foundation. Repayment will occur as an offset of future grants from the Foundation.

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021**

Note 6 – Liquidity and availability

The following represents the Organization’s financial assets as of August 31, 2021:

Financial assets at year end:

	<u>2021</u>
Cash and cash equivalents	<u>\$ 163,912</u>
Total financial assets at year end available to meet general expenditures over next twelve months	<u>\$ 163,912</u>

As part of the Organization’s liquidity management, it has a goal to structure its financials assets to be available as its general expenditures, liabilities and other obligations come due.

Note 7 – Subsequent Events

Management has evaluated subsequent events through June 22, 2022, which is the date the financial statements were available to be issued.

In FY 2022, The Sound Start Babies Program for Children Who are Deaf and Hard of Hearing (the Program) entered into a Grant Award Agreement (Agreement) with the Sound Start Foundation (the Foundation), signed on February 14, 2022. Per the Agreement, funds were provided to assist in supporting the Program for the fiscal year beginning September 1, 2021 and ending August 31, 2022. The grant amount for FY 2022 was \$393,313. After accounting for prior donations that had been deposited into the Program bank account, a net amount of \$284,091 was deposited into the Program checking account on February 15, 2022. In accordance with the terms of the Agreement, an additional award in the amount of \$404,796 was granted by the Foundation on April 20, 2022, to support the Program for the fiscal year ending August 31, 2023. \$399,796, which was net of an additional \$5,000 of donations received into the Program’s bank account, was received by the Program April 21, 2022.

As stated in Note 1 (Employee Retention Credit Receivable), the Program from fiscal year beginning September 1, 2021 until the date of this report has received approximately 70% of the outstanding receivable from the Internal Revenue Service.