

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

**Independent Auditors' Report and
Financial Statements for the Year
Ended August 31, 2022 and 2021**

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

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VAN DUYNE CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Sound Start Babies Program for Deaf and Hard of Hearing Children (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements 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, 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.

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 Sound Start Babies Program for Deaf and Hard of Hearing Children 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sound Start Babies Program for Deaf and Hard of Hearing Children 's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

VAN DUYNE

CPAs & Advisors

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Sound Start Babies Program for Deaf and Hard of Hearing Children '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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sound Start Babies Program for Deaf and Hard of Hearing Children '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.



Pine Brook, NJ
June 13, 2023

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

**STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 249,763	\$ 163,912
Employee retention credit receivable	44,702	150,940
Investments	388,077	-
Prepaid insurance	<u>11,205</u>	<u>10,688</u>
Total current assets	693,747	325,540
Furniture and fixtures, net of accumulated depreciation	<u>31,376</u>	<u>35,583</u>
<u>OTHER ASSETS</u>		
Investments	<u>127,000</u>	<u>-</u>
Total assets	<u>\$ 852,123</u>	<u>\$ 361,123</u>
 LIABILITIES AND NET ASSETS		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	24,621	4,500
Deferred grant income	399,796	-
Due to Sound Start Foundation	4,494	87,251
Due to Mountain Lakes, Board of Education	<u>2,243</u>	<u>357</u>
Total current liabilities	431,154	92,108
<u>Net assets</u>		
Net assets without donor restrictions:		
Total net assets without donor restrictions	<u>420,969</u>	<u>269,015</u>
Total liabilities and net assets	<u>\$ 852,123</u>	<u>\$ 361,123</u>

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

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	Without Donor Restrictions	Without Donor Restrictions
	2022	2021
SUPPORT REVENUE		
Support:		
Grant income	\$ 393,313	\$ -
Reimbursement from the State of New Jersey Department of Health	245,431	190,148
Tuition revenue	73,619	34,328
Evaluations	-	250
Other contributions	500	-
Total support	<u>712,863</u>	<u>224,726</u>
EXPENSES		
Program Services:		
Education and therapy	<u>552,360</u>	<u>319,092</u>
Total program services	<u>552,360</u>	<u>319,092</u>
Support Services:		
Management and general	<u>10,887</u>	<u>6,736</u>
Total support services	<u>10,887</u>	<u>6,736</u>
Total expenses	<u>563,247</u>	<u>325,828</u>
Changes in net assets before non-operating activities	<u>149,616</u>	<u>(101,102)</u>
NON-OPERATING ACTIVITIES:		
Investment income	5,477	-
Investment advisory fees	(150)	-
Investment loss:		
Unrealized loss	<u>(2,989)</u>	<u>-</u>
CHANGE IN NET ASSETS	151,954	(101,102)
Net assets, beginning	269,015	399,966
Contributed net assets to the Sound Start Foundation	<u>-</u>	<u>(29,849)</u>
Net assets, ending	<u>\$ 420,969</u>	<u>\$ 269,015</u>

See notes to financial statements.

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

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	Program	Support Services	Total	
	Education and Therapy	Management and General	2022	2021
Auto expenses	\$ 1,684	\$ -	\$ 1,684	\$ 299
Salaries	410,310	-	410,310	258,420
Payroll taxes	40,915	-	40,915	41,063
Outside contractors	54,550	-	54,550	-
Licenses and fees	-	175	175	508
Depreciation expense	6,157	-	6,157	6,059
Insurance	10,822	300	11,122	972
Workers comp insurance	3,626	-	3,626	4,352
Supplies/Professional Dev./Misc	7,537	-	7,537	3,145
Bank charges	-	3	3	15
Service contracts	6,380	-	6,380	3,421
Accounting and auditing fees	-	10,109	10,109	4,500
General payroll processing fees	3,163	-	3,163	2,189
Non-recurring payroll processing fees	6,500	-	6,500	-
Telephone	485	-	485	432
Office	-	300	300	309
Miscellaneous	231	-	231	144
Total Expense	\$ 552,360	\$ 10,887	\$ 563,247	\$ 325,828

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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	<u>2022</u>	<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	\$ 6,157	\$ 6,059
Increase (decrease) in:		
Cash collected from grants	393,313	-
Cash collected from support services	319,550	224,726
Cash paid from program expenses	(552,360)	(319,092)
Cash paid from management and general expenses	(10,887)	(6,736)
(Increase) Decrease in employee retention credit receivable	106,238	(150,940)
(Increase) in prepaid insurance	(517)	(10,688)
Increase (Decrease) in accounts payable	20,121	(1,400)
Increase in deferred grant income	399,796	-
Cash flows used in operating activities	<u>681,411</u>	<u>(258,071)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of furniture and fixtures	(1,950)	-
Cash (used for) investment sales and purchases, net of unrealized losses	(515,077)	-
Cash received from investment income, net of advisory fees	2,338	-
Cash flows used in operating activities	<u>(514,689)</u>	<u>-</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Advances (Repayments) to Mountain Lakes, Board of Education	1,886	(53,998)
Advances (Repayments) to Sound Start Foundation	(82,757)	88,902
Distributed net assets to the Sound Start Foundation	-	(29,849)
Cash flows provided by financing activities	<u>(80,871)</u>	<u>5,055</u>
Change in cash and cash equivalents	85,851	(253,016)
Cash and cash equivalents, beginning of year	<u>163,912</u>	<u>416,928</u>
Cash and cash equivalents, end of year	<u>\$ 249,763</u>	<u>\$ 163,912</u>

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
HEARING CHILDREN
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 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. In July 2022, the Program retained the services of a part time business administrator/bookkeeper.

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-for-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 \$420,969 and \$269,015 as of August 31, 2022 and 2021, respectively, 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, 2022 AND 2021**

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue and Support Recognition

The Program is partially funded by a significant grant from the Foundation. Grants are recognized when the grant period is in effect and unconditionally promised. 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 Program 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”.

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. As of August 31, 2022, collection remains on only one outstanding period from the Internal Revenue Service, which the program anticipates will be collected in 2023.

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments

The Program's investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Unrealized gains are included in the change in net assets. Investment income and gains are reported as increases in net assets. Short term investments consist of certificates of deposit with original maturities of twelve months or less. Long term investments consist of certificates of deposit with original maturities of twelve months or more.

Functional allocation of expenses

The costs of providing the Program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the Program and supporting services. The category "Management and General" in the accompanying statements indicates those costs that are not specifically identifiable with the Program but provides 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 program 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 2019.

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

Note 1 – Summary of Significant Accounting Policies (Continued)

Fair value of financial instruments

The Program uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in marketable securities. FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements. It establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Program has the ability to access at the measurement date (See Note 4 for calculations).

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Note 2 - Investments

At August 31, 2022 and 2021, The Program’s investments consisted of the following:

	<u>2022</u>	<u>2021</u>
Securities:		
Fixed Income	<u>\$ 515,077</u>	<u>\$ -</u>
Total investments	<u><u>\$ 515,077</u></u>	<u><u>\$ -</u></u>

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

Note 3 - Furniture and Fixtures

Furniture and fixtures at August 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 62,541	\$ 60,591
Less: accumulated depreciation	<u>(31,165)</u>	<u>(25,008)</u>
Furniture and fixtures, net	<u>\$ 31,376</u>	<u>\$ 35,583</u>

Depreciation expense for the years ended August 31, 2022 and 2021 amounted to \$6,157 and \$6,059, respectively, and is included in program expenses on the statement of functional expenses.

Note 4 – 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.

Investments: The carrying amount reported in the statement of financial position for investments is at fair value, which is generally based on quoted market prices.

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

Fair Value Measurements

The following table presents the Foundation's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

Note 4 – Fair Value of Financial Instruments (Continued)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>August 31, 2022</u>		
Cash and cash equivalents	\$ 249,763	\$ 249,763
Investments	515,077	515,077
	<hr/>	<hr/>
Total	<u>\$ 764,840</u>	<u>\$ 764,840</u>
<u>August 31, 2021</u>		
Cash and cash equivalents	\$ 163,912	\$ 163,912
Investments	-	-
	<hr/>	<hr/>
Total	<u>\$ 163,912</u>	<u>\$ 163,912</u>

Note 5 – 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 6 – 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.

Note 7 – Due to Mountain Lakes, Board of Education

Represents contributions received by the Program for the purpose of providing services for the Mountain Lakes, Board of Education. Repayment will occur as an offset of future funds are received.

Note 8 – Deferred Grant Income

Represents revenue received in advance of a grant being in effect. The revenue will be recognized when the grant period is in effect.

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

Note 9 – Liquidity and availability

The following represents the Program’s financial assets as of August 31, 2022 and 2021:

Financial assets at year end:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 249,763	\$ 163,912
Investments	<u>388,077</u>	<u>-</u>
 Total financial assets at year end available to meet general expenditures over next twelve months	 <u>\$ 637,840</u>	 <u>\$ 163,912</u>

As part of the Program’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 10 – Subsequent Events

Management has evaluated subsequent events through June 13, 2023, which is the date the financial statements were available to be issued.