

SOUND START FOUNDATION

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

SOUND START FOUNDATION

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VAN DUYNE

CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Sound Start Foundation

Opinion

We have audited the accompanying financial statements of Sound Start Foundation (a non-profit 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 Foundation 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 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.

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 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 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.

VAN DUYN

CPAs & Advisors

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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sound Start 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.

Van Duyne Buco & Co, P.A.

Pine Brook, NJ
July 18, 2023

SOUND START FOUNDATION

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

	<u>2022</u>	<u>2021</u>
ASSETS		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 132,615	\$ 120,777
Investments	1,540,609	2,202,047
Prepaid benefit expense	17,678	37,639
Prepaid grant expense	399,796	-
Due from Sound Start Babies Program	4,856	87,613
	<u>2,095,554</u>	<u>2,448,076</u>
Total assets	<u>\$ 2,095,554</u>	<u>\$ 2,448,076</u>
LIABILITIES AND NET ASSETS		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 13,635	\$ 9,100
Restricted grant payable	-	10,000
Prepaid benefit income payable	23,907	19,948
Total current liabilities	<u>37,542</u>	<u>39,048</u>
<u>Net assets</u>		
Net assets without donor restrictions:		
Operating	517,403	206,981
Board-designated endowment fund	1,540,609	2,202,047
Total net assets without donor restrictions	<u>2,058,012</u>	<u>2,409,028</u>
Total liabilities and net assets	<u>\$ 2,095,554</u>	<u>\$ 2,448,076</u>

SOUND START FOUNDATION

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

	Without Donor Restrictions	Without Donor Restrictions
	2022	2021
SUPPORT REVENUE		
Support:		
Donations and contributions	\$ 105,505	\$ 76,972
Fundraising activities:		
Benefit	257,047	68,909
Less: Cost of direct benefits to donors	(22,522)	(283)
Less: Other fundraising activities	(35,589)	-
Net revenue from benefit	198,936	68,626
Other fundraising		
Other events	34,054	26,608
Less: Other fundraising activities	(32,770)	-
Net other fundraising	1,284	26,608
Total fundraising	200,220	95,234
Grants	157,177	46,000
Total support	462,902	218,206
EXPENSES		
Program Services:		
Education and therapy	393,313	-
Total program services	393,313	-
Support Services:		
Fundraising	39,065	72,343
Management and general	190,834	94,662
Total support services	229,899	167,005
Total expenses	623,212	167,005
Changes in net assets before non-operating activities	(160,310)	51,201
NON-OPERATING ACTIVITIES:		
Investment income	40,707	44,643
Investment advisory fees	(31,205)	(29,523)
Investment gains:		
Realized gains	107,187	181,208
Unrealized gains	(307,395)	117,655
CHANGE IN NET ASSETS	(351,016)	365,184
Net assets, beginning	2,409,028	2,019,824
Contributed net assets from the Sound Start Program	-	24,020
Net assets, ending	\$ 2,058,012	\$ 2,409,028

See notes to financial statements.

SOUND START FOUNDATION

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

	Program	Support Services		Total	
	Education and Therapy	Fundraising	Management and General	2022	2021
Sound Start Babies Program grants	\$ 393,313	\$ -	\$ -	\$ 393,313	\$ 197
Payroll processing fees	-	-	2,495	2,495	1,137
Employee benefits	-	-	10,333	10,333	5,014
401k admin fees	-	-	1,863	1,863	1,615
Wages and salaries	-	-	103,045	103,045	61,923
Payroll taxes	-	-	10,198	10,198	5,910
Printing	-	2,347	-	2,347	2,657
Postage	-	823	-	823	731
Advertising and promotion	-	1,442	-	1,442	240
Venue expenses	-	21,194	-	21,194	6,025
Supplies	-	1,251	-	1,251	5,988
Credit card fees	-	8,329	20	8,349	340
Insurance	-	-	1,381	1,381	1,786
Licenses and fees	-	-	390	390	116
Miscellaneous	-	3,679	1,305	4,984	7,984
Postage	-	-	452	452	168
Bookkeeping	-	-	24,000	24,000	19,800
Professional fees	-	-	29,352	29,352	39,374
Audit fees	-	-	6,000	6,000	6,000
Total Expense	\$ 393,313	\$ 39,065	\$ 190,834	\$ 623,212	\$ 167,005

SOUND START FOUNDATION

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

CASH FLOWS FROM OPERATING ACTIVITIES:

	<u>2022</u>	<u>2021</u>
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Increase (decrease) in:		
Contributed cash	\$ -	\$ 24,020
Cash collected from donations and contributions	105,505	76,972
Cash collected from fundraising activities, net of costs	198,936	68,626
Cash collected from grants	157,177	46,000
Cash collected from other events	1,284	26,608
Cash paid for program expenses	(393,313)	-
Cash paid for fundraising expenses	(39,065)	(72,343)
Cash paid for management and general expenses	(190,834)	(94,662)
(Increase) decrease in prepaid benefit expense	19,961	(35,889)
(Increase) in prepaid grant expense	(399,796)	-
Increase in accounts payable and accrued expenses	4,535	8,983
Increase (decrease) in restricted grant payable	(10,000)	10,000
Increase in prepaid benefit income payable	3,959	19,948
Loan (advanced) repaid by related entity	82,757	(89,263)
Cash flows used in operating activities	<u>(458,894)</u>	<u>(11,000)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash received (used for) investment sales and purchases, net of realized & unrealized gains	461,230	(34,800)
Cash received from investment income, net of advisory fees	9,502	15,120
Cash flows provided by (used in) investing activities	<u>470,732</u>	<u>(19,680)</u>
Change in cash and cash equivalents	11,838	(30,680)
Cash and cash equivalents, beginning of year	<u>120,777</u>	<u>151,457</u>
Cash and cash equivalents, end of year	<u>\$ 132,615</u>	<u>\$ 120,777</u>

**SOUND START FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

Note 1 – Nature of Business and Summary of Significant Accounting Policies

Nature of activities

Sound Start Foundation’s mission is to support educational and therapeutic programs to help babies and toddlers with hearing loss, and their families, lead full and successful lives. Sound Start Foundation (the Foundation) supports the Sound Start Babies Program for Deaf and Hard of Hearing Children, which provides life-changing early intervention, family-support and nursery programs to children with hearing loss throughout New Jersey.

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 from the New Jersey Department of Health and through tuition payments from community children enrolled in its nursery program. The Foundation provides funds to cover shortfalls in reimbursement and is supported primarily through grants, fundraising activities, and donor contributions. The Foundation’s activities are overseen by a full time Executive Director and an all-volunteer Board of Trustees that make managerial decisions.

A significant grant was agreed upon between the Foundation and the Program for the fiscal year 2022 and 2023 which will provide additional funds to help for shortfalls in reimbursement for the Program. The Foundation will be providing funds to the Program and anticipates further future grants to be issued to the Program for fiscal year 2024 and 2025 once a Program Budget is approved by the Foundation.

Basis of accounting

The Foundation 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 organization 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.

**SOUND START FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

Note 1 – Nature of Business and Summary of Significant Accounting Policies (continued)

Basis of presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation did not have any net assets with donor restrictions in the period.

The net assets (fund balances) of \$1,658,216 and \$2,409,028 as of August 31, 2022 and 2021, respectively, are to support the existing operations of the program and foundation in the event fundraising efforts do not meet financial goals.

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.

**SOUND START FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

Note 1 – Nature of Business and Summary of Significant Accounting Policies (continued)

Investments

The Foundation'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.

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. Certain members of the Foundation's outside contractors also spend time in the direct administration of various Foundation programs. Therefore, in the accompanying financial statements, their time and associated costs have been allocated between administration and the programs for which their time was devoted. 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 Foundation.

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 Foundation 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 Foundation is subject to federal excise taxes and taxes on unrelated business income.

The Foundation 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.

**SOUND START FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

Note 1 – Nature of Business and Summary of Significant Accounting Policies (continued)

Fair value of financial instruments

The Foundation 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 Foundation has the ability to access at the measurement date.

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 Foundation’s investments consisted of the following:

Securities:	<u>2022</u>	<u>2021</u>
Public equity	\$ 1,107,539	\$ 1,579,485
Fixed income	390,282	554,196
Money market funds	<u>42,788</u>	<u>68,366</u>
Total investments	<u>\$ 1,540,609</u>	<u>\$ 2,202,047</u>

SOUND START FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

Note 3 – Fair Value of Financial Instruments

Financial instruments

The following methods and assumptions were used by the Foundation 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:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>August 31, 2022</u>		
Cash and cash equivalents	\$ 132,615	\$ 132,615
Investments	1,540,609	1,540,609
Total	<u>\$ 1,673,224</u>	<u>\$ 1,673,224</u>
<u>August 31, 2021</u>		
Cash and cash equivalents	\$ 120,777	\$ 120,777
Investments	2,202,047	2,202,047
Total	<u>\$ 2,322,824</u>	<u>\$ 2,322,824</u>

Note 4 – Concentration of Credit Risk

The Foundation 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 Foundation has no significant risk of loss on these amounts due to a failure of institutions.

**SOUND START FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

Note 5 – Board Designated Funds

The Board has designated investment funds to establish an endowment fund that would generate earnings to help sustain the entity and supported programs in addition to other sources of income. The Board also designated a special fund to support costs associated with daily living activities.

Note 6 – Prepaid Grant Expense

Represents expenses paid in advance of the grant contract being in effect. The expenses will be recognized when the grant period is in effect.

Note 7 – Due from Sound Start Babies Program

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

Note 8 – Liquidity and availability

The following represents the Organization’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	\$ 132,615	\$ 120,777
Investments	<u>1,540,609</u>	<u>2,202,047</u>
 Total financial assets at year end available to meet general expenditures over next twelve months	 <u>\$ 1,673,224</u>	 <u>\$ 2,322,824</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. In addition, excess cash is invested in short-term investments, including stock, mutual funds, US Treasury bills and other money market accounts.

Note 9 – Subsequent Events

Management has evaluated subsequent events through July 18, 2023, which is the date the financial statements were available to be issued.