

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

**Independent Auditors' Report and  
Financial Statements for the Year  
Ended August 31, 2023 and 2022**

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

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# VAN DUYN

## 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, 2023 and 2022, 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, 2023 and 2022, 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 DUYNÉ**

## 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.

*Vanduyne Bruno & Co., P.A.*

Pine Brook, NJ

January 23, 2024

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

**STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 310,254	\$ 249,763
Employee retention credit receivable	-	44,702
Other receivable	2,238	-
Investments	601,469	388,077
Prepaid expenses	12,634	11,205
Due from Mountain Lakes, Board of Education	49,428	-
	<u>976,023</u>	<u>693,747</u>
Total current assets	976,023	693,747
Furniture and fixtures, net of accumulated depreciation	<u>27,084</u>	<u>31,376</u>
<u>OTHER ASSETS</u>		
Investments	<u>127,000</u>	<u>127,000</u>
Total assets	<u>\$ 1,130,107</u>	<u>\$ 852,123</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 31,947	\$ 24,621
Deferred grant income	550,000	399,796
Due to Sound Start Foundation	6,094	4,494
Due to Mountain Lakes, Board of Education	-	2,243
Total current liabilities	<u>588,041</u>	<u>431,154</u>
<u>Net assets</u>		
Net assets without donor restrictions:		
Total net assets without donor restrictions	<u>542,066</u>	<u>420,969</u>
Total liabilities and net assets	<u>\$ 1,130,107</u>	<u>\$ 852,123</u>

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

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	Without Donor Restrictions	Without Donor Restrictions
	2023	2022
SUPPORT REVENUE		
Support:		
Grant income	\$ 399,796	\$ 393,313
Reimbursement from the State of New Jersey Department of Health	290,686	245,431
Tuition revenue	58,041	73,619
Other contributions	10,280	500
Total support	<u>758,803</u>	<u>712,863</u>
EXPENSES		
Program Services:		
Education and therapy	<u>645,356</u>	<u>552,360</u>
Total program services	<u>645,356</u>	<u>552,360</u>
Support Services:		
Management and general	<u>10,690</u>	<u>10,887</u>
Total support services	<u>10,690</u>	<u>10,887</u>
Total expenses	<u>656,046</u>	<u>563,247</u>
Changes in net assets before non-operating activities	<u>102,757</u>	<u>149,616</u>
NON-OPERATING ACTIVITIES:		
Investment income	18,845	5,477
Investment advisory fees	(240)	(150)
Investment loss:		
Unrealized loss	<u>(265)</u>	<u>(2,989)</u>
CHANGE IN NET ASSETS	121,097	151,954
Net assets, beginning	<u>420,969</u>	<u>269,015</u>
Net assets, ending	<u><u>\$ 542,066</u></u>	<u><u>\$ 420,969</u></u>

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

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	Program	Support Services	Total	
	Education and Therapy	Management and General	2023	2022
Auto expenses	\$ 3,222	\$ -	\$ 3,222	\$ 1,684
Salaries	470,024	-	470,024	410,310
Payroll taxes	46,554	-	46,554	40,915
Outside contractors	86,692	-	86,692	54,550
Licenses and fees	-	64	64	175
Depreciation expense	6,989	-	6,989	6,157
Insurance	11,652	207	11,859	11,122
Workers comp insurance	2,657	-	2,657	3,626
Supplies/Professional Dev./Misc	7,471	-	7,471	7,537
Bank charges	-	116	116	3
Service contracts	5,035	-	5,035	6,380
Accounting and auditing fees	-	10,000	10,000	10,109
General payroll processing fees	4,387	-	4,387	3,163
Non-recurring payroll processing fees	-	-	-	6,500
Telephone	498	-	498	485
Office	-	303	303	300
Miscellaneous	175	-	175	231
Total Expense	<u>\$ 645,356</u>	<u>\$ 10,690</u>	<u>\$ 656,046</u>	<u>\$ 563,247</u>

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 6,989	\$ 6,157
Increase (decrease) in:		
Cash collected from grants	399,796	393,313
Cash collected from support services	359,007	319,550
Cash paid from program expenses	(645,356)	(552,360)
Cash paid from management and general expenses	(10,690)	(10,887)
Decrease in employee retention credit receivable	44,702	106,238
(Increase) in other receivable	(2,238)	-
(Increase) in prepaid expenses	(1,429)	(517)
Increase in accounts payable	7,326	20,121
Increase in deferred grant income	150,204	399,796
Cash flows provided by operating activities	<u>308,311</u>	<u>681,411</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of furniture and fixtures	(2,697)	(1,950)
Cash (used for) investment sales and purchases, net of unrealized losses	(213,392)	(515,077)
Cash received from investment income, net of advisory fees and unrealized loss	18,340	2,338
Cash flows used in operating activities	<u>(197,749)</u>	<u>(514,689)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Advances (Repayments) to Mountain Lakes, Board of Education	(51,671)	1,886
Advances (Repayments) to Sound Start Foundation	1,600	(82,757)
Cash flows used in financing activities	<u>(50,071)</u>	<u>(80,871)</u>
Change in cash and cash equivalents	60,491	85,851
Cash and cash equivalents, beginning of year	<u>249,763</u>	<u>163,912</u>
Cash and cash equivalents, end of year	<u>\$ 310,254</u>	<u>\$ 249,763</u>



**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF  
HEARING CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023 AND 2022**

**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, changed its 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 \$542,066 and \$420,969 as of August 31, 2023 and 2022, 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  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023 AND 2022**

**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 primarily 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 3<sup>rd</sup> and 4<sup>th</sup> 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, 2023, all outstanding amounts from the Internal Revenue Service have been collected by the program.

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023 AND 2022**

**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 and losses are included in the change in net assets. Investment income and gains and losses are included 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 2020.

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023 AND 2022**

**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, 2023 and 2022, The Program’s investments consisted of the following:

	<u>2023</u>	<u>2022</u>
Securities:		
Fixed Income	\$ 728,469	\$ 515,077
Total investments	<u>\$ 728,469</u>	<u>\$ 515,077</u>

**SOUND START BABIES PROGRAM FOR DEAF AND HARD OF  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023 AND 2022**

**Note 3 - Furniture and Fixtures**

Furniture and fixtures at August 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 65,238	\$ 62,541
Less: accumulated depreciation	<u>(38,154)</u>	<u>(31,165)</u>
Furniture and fixtures, net	<u>\$ 27,084</u>	<u>\$ 31,376</u>

Depreciation expense for the years ended August 31, 2023 and 2022 amounted to \$6,989 and \$6,157, 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  
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**Note 4 – Fair Value of Financial Instruments (Continued)**

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
<b><u>August 31, 2023</u></b>		
Cash and cash equivalents	\$ 310,254	\$ 310,254
Investments	728,469	728,469
	<hr/>	<hr/>
Total	\$ 1,038,723	\$ 1,038,723
	<hr/> <hr/>	<hr/> <hr/>
<b><u>August 31, 2022</u></b>		
Cash and cash equivalents	\$ 249,763	\$ 249,763
Investments	515,077	515,077
	<hr/>	<hr/>
Total	\$ 764,840	\$ 764,840
	<hr/> <hr/>	<hr/> <hr/>

**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/from 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  
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**Note 9 – Liquidity and availability**

The following represents the Program’s financial assets as of August 31, 2023 and 2022:

Financial assets at year end:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 310,254	\$ 249,763
Investments	<u>601,469</u>	<u>388,077</u>
 Total financial assets at year end available to meet general expenditures over next twelve months	 <u>\$ 911,723</u>	 <u>\$ 637,840</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 January 23, 2024, which is the date the financial statements were available to be issued.