Sound Start Babies Foundation

Financial Statements

August 31, 2025

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Sound Start Babies Foundation
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Independent Auditors' Report

To the Board of Directors of
Sound Start Babies Foundation
Mountain Lakes, NJ

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sound Start Babies Foundation (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year 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 Foundation as of August 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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.

To the Board of Directors of
Sound Start Babies Foundation

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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 the 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 the 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.

Nisivoccia LLP

Mt. Arlington, New Jersey
April 25, 2026

Sound Start Babies Foundation
Statement of Financial Position
August 31, 2025

ASSETS	
Current assets:	
Cash	$ 872,940
Investments	1,278,890
Prepaid expenses	21,646
Due from Mountain Lakes Board of Education	78,686
Total current assets	2,252,162
Property, plant, and equipment, net	13,106
Total assets	$ 2,265,268
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and accrued expenses	$ 47,882
Total current liabilities	47,882
Net assets:	
Without donor restrictions	2,217,386
Total net assets	2,217,386
Total liabilities and net assets	$ 2,265,268

Sound Start Babies Foundation
Statement of Activities
Year Ended August 31, 2025

Revenue and support:	
Contributions	$ 142,182
Grants	100,210
Fundraising revenue	382,478
Program service fees	382,683
Tuition revenue	119,985
Investment income, net	98,152
Total revenue and support	1,225,690
Expenses:	
Program services	1,051,650
General and administrative	90,021
Fundraising	232,424
Total expenses	1,374,095
Change in net assets	(148,405)
Net assets, without donor restrictions, beginning of year	2,365,791
Net assets, without donor restrictions, end of year	$ 2,217,386

Sound Start Babies Foundation
Statement of Functional Expenses
Year Ended August 31, 2025

	Program Services	Management and General	Fundraising
Salaries	$ 778,913	$ 48,246	$ 40,000
Payroll taxes	79,406	4,918	4,078
Fringe benefits	32,358	674	559
Total salaries and related expenses	890,677	53,838	44,637
Licenses and fees		209	708
Payroll processing fees	7,894		
Miscellaneous	520		5,228
Office	13,864	1,875	7,582
Insurance	11,422	2,106	
Outside contractors	104,503		96,744
Bank charges		520	
Rent	1		
Credit card fees		72	8,939
Professional fees		30,409	
Supplies	8,599		
Grant writer			36,000
Printing	233		8,968
Service contracts	6,161		
Sound Start Babies Program grants	787		
Venue expenses			22,965
Telephone		452	
Postage		540	653
Depreciation expense	6,989		
Total expenses	$ 1,051,650	$ 90,021	$ 232,424

Sound Start Babies Foundation
Statement of Cash Flows
Year Ended August 31, 2025

Cash flows from operating activities:		
Change in net assets	$	(148,405)
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation		6,989
Realized gain on investments		(6,042)
Unrealized loss on investments		3,786
Changes in operating assets and liabilities:		
Prepaid expenses		(2,982)
Due from Mountain Lakes Board of Education		(19,121)
Accounts payable and accrued expenses		4,904
Deferred revenue		(980)
Net cash used in operating activities		(161,851)
Cash flows from investing activities:		
Proceeds from sale of investments		1,018,100
Purchase of investments, net		(763,519)
Net cash provided by investing activities		254,581
Net increase in cash		92,730
Cash, beginning of year		780,210
Cash, end of year	$	872,940

1. Nature of Organization

Sound Start Babies Foundation (the "Foundation") provides and fiscally supports educational and therapeutic programs for babies and toddlers with hearing loss and their families. The Foundation provides comprehensive early intervention including family support services for this population. It conducts a unique nursery school program for 18-36 month olds combining children with and without hearing loss.

The Foundation has provided care for more than 1,740 children predominantly from northern and central New Jersey guiding them to attain listening, speaking, and communication skills that are the basis for academic success and independent adult functioning. The Foundation's activities are partially supported by reimbursement for early intervention services rendered from the New Jersey Department of Health and through tuition payments from community children enrolled in its nursery program.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are described below:

Basis of Presentation

The Foundation prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update No. 2014-16, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities* (FASB Update). The Foundation also follows the provisions of FASB's *Accounting for Contributions Received and Made*. FASB ASC, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. In addition, the standard requires the presentation of qualitative information on how the Foundation manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statements and/or in the notes to the financial statements. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are resources representing the portion of expendable funds available for support of the Foundation's programs and general operations. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions are comprised of revenue and expenses related to the operations of the Foundation, which have no restrictions on the uses of the funds. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Directors. There were no board designated assets as of August 31, 2025.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. As of August 31, 2025, there were no net assets with donor restrictions.

Revenue and Support Recognition

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

In accordance with ASC 606, *Revenue from Contracts with Customers*, fundraising and special events revenue is measured based on consideration specified in an agreement which occurs with the transfer of control at a specific point in time. The Foundation recognizes fundraising and special event revenue at the time the event occurs. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place. There are no multi-year contracts and performance obligations are typically satisfied within one year or less.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the year ended August 31, 2025:

Performance obligations satisfied at a point in time	$ 885,146

Revenue from performance obligations satisfied at a point in time consists of tuition revenue, program service fees and fundraising and special events.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Credit losses are determined on a case-by-case basis. There was no allowance for credit losses as of August 31, 2025. There was no credit loss expense for the year ended August 31, 2025. Accounts receivable at September 1, 2024 was $59,565.

Allowance for Credit Losses

In June 2016, the FASB issued guidance FASB ASC, *Measurement of Credit Losses on Financial Instruments* which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Foundation that are subject to the guidance in the standard were accounts receivable.

Income Taxes

The Foundation is a not-for-profit as described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is therefore exempt from federal income taxes under Section 501(a) of the Code. The Foundation is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not for Profit Act*. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

The Foundation follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Foundation does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended August 31, 2025. However, the Foundation is subject to regular audit by tax authorities, including a review of its nonprofit status, which the Foundation believes would be upheld upon examination. The Foundation believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

As required by law, the Foundation files informational returns with both the United States federal and State of New Jersey jurisdictions on an annual basis – Form 990 with the Internal Revenue Service, and Form CRI-300R with the State of New Jersey. These returns are subject to examination by these authorities within certain statutorily defined periods for federal and for New Jersey.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated equally to each program. Support costs are allocated to a program based on total program costs. Program expenses are those related to serving children with hearing loss. General and administrative expenses relate to administrative expenses to support those programs.

Fundraising relates to direct costs of special events and development activities carried on by the Foundation as well as the allocation of employees' salaries, when applicable, and other costs involved in fundraising and special events.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein and disclosures of contingent assets and contingent liabilities and accompanying notes at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investments

The Foundation follows FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with this accounting standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including interest, dividends and realized gains and losses on the sale of investments) are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by the donor or law. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the year ended August 31, 2025, the Foundation did not record any impairment charge in the statement of activities.

Fair Value of Financial Instruments

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the assets or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Foundation is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. 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 under FASB ASC are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at August 31, 2025.

Fixed Income: the carrying amounts are stated at fair value of the units held by the Foundation at year end.

Mutual Funds: The carrying amounts are stated at the net asset value (NAV) as determined by the fund manager, of shares held by the Foundation at year end.

Equities: carried at the net asset value (NAV) of shares held by the Foundation at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Foundation's investments and the amounts reported in the statement of financial position and the statement of activities.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist primarily of cash. At times, amounts invested with financial institutions may be in excess of federally insured limits. The Foundation invests with reputable financial institutions to limit their exposure and has not experienced any losses in such accounts. As a result, management believes it is not exposed to any significant risk related to cash.

Property and Equipment

Property and equipment, in excess of $1,000, are recorded at cost when purchased, or at fair value at date of gift, when donated. Gifts of long-lived assets are reported as an increase in net assets without donor restrictions, unless there are explicit restrictions that specify how the assets are to be used. Proceeds from the sale of fixed assets, if without donor restrictions, are transferred to the net assets without donor restrictions, or, if donor restricted, to net assets with donor restrictions for fixed asset acquisitions. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Maintenance, repairs, and renewals which neither materially add to the value of property nor appreciably prolong its life are charged to expense as incurred. Major renewals and improvements are capitalized.

The Foundation continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets.*

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after August 31, 2025, through the date of the independent auditors' report and the date the financial statements were available to be issued, April 25, 2026. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non recognized subsequent events that require additional disclosure.

3. Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

Cash	$ 872,940
Due from Mountian Lakes Board of Education	78,686
Investments	1,278,890
Financial assets available to meet general expenditures within one year	$ 2,151,830

The Foundation has a goal to maintain financial assets on hand to meet one year of normal operating expenses. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to these financial assets, a significant portion of the Foundation’s annual expenditures will be funded by current year operating revenues.

4. Investments

The following financial instruments, measured on a recurring basis, are carried at fair value in the Foundation’s financial statements. The fair value disclosures include information regarding the valuation of the Foundation’s investments as of August 31, 2025**:**

	Cost Basis	Fair Market Value (Level 1)	Unrealized Gains
Mutual funds	$ 127,041	$ 414,087	$ 287,046
Fixed income	180,337	294,830	114,493
Equities	401,777	569,973	168,196
Total investments	$ 709,155	$ 1,278,890	$ 569,735

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets and liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs are based on estimates using present value or other valuation techniques where quoted market prices are not available. Financial assets of the Foundation have been valued using level 1 inputs as of August 31, 2025.

Investment activity for the year ended August 31, 2025 is comprised of the following:

Beginning balance	$ 1,531,215
Purchases, net	763,519
Sales	(1,018,100)
Realized gain on investments	6,042
Unrealized loss on investments	(3,786)
Ending balance	$ 1,278,890

5. Property, Plant, and Equipment

Property, plant, and equipment are comprised of the following at August 31, 2025:

	Estimated Useful Lives	
Furniture and fixtures	7	$ 65,238
		65,238
Accumulated depreciation		(52,132)
Property, plant, and equipment, net		$13,106

Depreciation expense for the year ended August 31, 2025 amounted to $6,989.

6. Due to/from Mountain Lakes, Board of Education

Represents amounts due from Mountain Lakes for services provided on behalf of the board of education. As of August 31, 2025, $78,686 is due from Mountain Lakes Board of Education.