

SOUND START FOUNDATION

**Independent Auditors' Report and
Financial Statements from Inception
(July 20, 2020) to August 31, 2020**

SOUND START FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Sound Start Foundation

We have audited the accompanying financial statements of Sound Start Foundation (a non-profit organization), which comprise the statement of financial position as of August 31, 2020, and the related statement of activities, functional expenses and of cash flows from inception (July 20, 2020) to August 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sound Start Foundation as of August 31, 2020, and the changes in its net assets and its cash flows from inception July 20, 2020 to August 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Van Duyne Bruno & Co., P.A.

Pine Brook, NJ
August 18, 2021

SOUND START FOUNDATION

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 151,457
Investments	1,868,383
Prepaid benefit expense	<u>1,750</u>
Total assets	<u>\$ 2,021,590</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 116
Due to Sound Start Babies Program	<u>1,650</u>
Total current liabilities	<u>1,766</u>

Net assets

Net assets without donor restrictions:	
Operating	151,441
Board-designated endowment fund	<u>1,868,383</u>
Total net assets without donor restrictions	<u>2,019,824</u>
Total liabilities and net assets	<u>\$ 2,021,590</u>

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**STATEMENT OF ACTIVITIES
FROM INCEPTION (JULY 20, 2020) TO AUGUST 31, 2020**

	<u>Without Donor Restrictions</u>
SUPPORT REVENUE	
Support:	
Donations and contributions	\$ 1,028
Fundraising activities - Benefit, net of costs of \$0	22,500
Grants	38,500
Total support	<u>62,028</u>
 EXPENSES	
Support Services:	
Management and general	<u>5,372</u>
 Total expenses	<u>5,372</u>
 CHANGE IN NET ASSETS	56,656
 Net assets, beginning	-
 Contributed net assets from the Sound Start Program	1,963,168
 Net assets, ending	<u><u>\$ 2,019,824</u></u>

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**STATEMENT OF FUNCTIONAL EXPENSES
FROM INCEPTION (JULY 20, 2020) TO AUGUST 31, 2020**

	<u>Management and General</u>
Insurance	\$ 225
Bookkeeping	1,300
Professional fees	3,682
Miscellaneous	<u>165</u>
 Total Expense	 <u><u>\$ 5,372</u></u>

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STATEMENT OF CASH FLOWS

FROM INCEPTION (JULY 20, 2020) TO AUGUST 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Adjustments to reconcile change in net assets to net cash provided
by operating activities:

Increase (decrease) in:

Contributed cash	\$ 94,785
Cash collected from donations and contributions	1,028
Cash collected from fundraising activities, net of costs	22,500
Cash collected from grants	38,500
Cash paid for management and general expenses	(5,372)
(Increase) in prepaid benefit expense	(1,750)
Increase in accounts payable	116
Proceeds received from related entity	1,650
Cash flows provided by operating activities	<u>151,457</u>

Change in cash and cash equivalents 151,457

Cash and cash equivalents, beginning of year -

Cash and cash equivalents, end of year \$ 151,457

Non-Cash Activity

Contribution of Non-Cash Investments \$ 1,868,383

**SOUND START FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (JULY 20, 2020) TO AUGUST 31, 2020**

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 Foundation was created on July 20, 2020 to continue fundraising efforts to provide financial support to the Sound Start Babies Program for Deaf and Hard of Hearing Children. 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 an all-volunteer Board of Trustees that makes managerial decisions.

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.

Recently adopted accounting provisions

On August 18, 2016, FASB issued Accounting Standards Update (“ASU”) 2016-14, Not for Profit Entities (Topic 958) – Presentation of Financial Statements for Non-for-Profit Entities. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted the ASU.

Net assets of the Foundation and changes therein are classified and reported as follows:

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
FROM INCEPTION (JULY 20, 2020) TO AUGUST 31, 2020**

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

Recently adopted accounting provisions (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 \$2,019,824 as of August 31, 2020 are to support the existing students in the program through graduation in the event fundraising efforts do not meet financial goals.

Revenue and Support Recognition

In 2020, the Foundation adopted ASC 606, Revenue for Contracts with Customers, which amended the existing accounting standards for revenue 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
FROM INCEPTION (JULY 20, 2020) TO AUGUST 31, 2020**

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. The Sound Start Babies Program for Deaf and Hard of Hearing Children transferred \$1,868,383 of investments in July 2020.

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. For the period from inception July 20, 2020 to August 31, 2020, there were only management and general expenses.

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
FROM INCEPTION (JULY 20, 2020) TO AUGUST 31, 2020

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, 2020, the Foundation's investments consisted of the following:

Securities:	
Public equity	\$ 1,175,378
Fixed Income	<u>693,005</u>
Total investments	<u><u>\$ 1,868,383</u></u>

**SOUND START FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (JULY 20, 2020) TO AUGUST 31, 2020**

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, 2020</u>		
Cash and cash equivalents	\$ 151,457	\$ 151,457
Investments	1,868,383	1,868,383
Total	<u>\$ 2,019,840</u>	<u>\$ 2,019,840</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.

Note 5 – Board Designated Funds

The Board has designated investment funds to establish an endowment fund that would generate earnings to sustain the program independent of any other sources of revenue. The Board also designated a special fund to support costs associated with daily living activities.

**SOUND START FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (JULY 20, 2020) TO AUGUST 31, 2020**

Note 6 – Liquidity and availability

The following represents the Organization’s financial assets as of August 31, 2020:

Financial assets at year end:

Cash and cash equivalents	\$ 151,457
Investments	<u>1,868,383</u>
Total financial assets at year end available to meet general expenditures over next twelve months	 <u><u>\$ 2,019,840</u></u>

Note 7 – Subsequent Events

Management has evaluated subsequent events through August 18, 2021, which is the date the financial statements were available to be issued.

Coronavirus Pandemic

In December of 2019, an outbreak of coronavirus (COVID-19) originated in Wuhan, China and eventually spread in 2020 to the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency. It is anticipated that the pandemic will continue for some time.

Due to the above, there may be negative impacts to the Foundation which include the decrease of revenue and profits: restrictions on employees’ ability to work; fund raising benefits and changes to the Foundation’s operations that may include increase operating costs. The future effects of these issues are unknown as of the date of these financial statements.