

**HASKINS LABORATORIES, INC.**  
**Reports on Federally Assisted Research**  
**and Development Grants**  
**December 31, 2018**

---

HASKINS LABORATORIES, INC.  
December 31, 2018

---

CONTENTS

	<u>Page</u>
Independent Auditors' Combined Report on the Basic Financial Statements and Schedule of Expenditures of Federal Awards	1 - 3
Audited Financial Statements	4 - 16
Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards	17 - 20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21 - 22
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	23 - 25
Schedule of Findings and Questioned Costs	26 - 27

# SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS  
296 STATE STREET  
NORTH HAVEN, CONNECTICUT 06473-2165  
(203) 248-9341  
FAX (203) 248-5813

## INDEPENDENT AUDITORS' COMBINED REPORT ON THE BASIC FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Directors

Haskins Laboratories, Inc.

New Haven, Connecticut

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Haskins Laboratories, Inc. (a nonprofit organization), which comprise the statements of financial position - modified cash basis as of December 31, 2018 and 2017 and the related statements of activities - modified cash basis and cash flows - modified cash basis for the years then ended, 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Haskins Laboratories, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Other information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2019, on our consideration of Haskins Laboratories, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Haskins Laboratories, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Haskins Laboratories, Inc.'s internal control over financial reporting and compliance.

*Seward and Monde*

North Haven, Connecticut  
May 31, 2019

HASKINS LABORATORIES, INC.  
STATEMENTS of FINANCIAL POSITION -  
MODIFIED CASH BASIS  
December 31, 2018 and 2017

---

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 629,234	\$ 88,295
Unreimbursed expenditures due	203,701	88,704
Investments, at market value	893,914	893,338
Other assets	162,415	165,073
Leasehold improvements and equipment, net of accumulated depreciation and amortization	<u>653,986</u>	<u>767,286</u>
Total assets	<u><u>\$ 2,543,250</u></u>	<u><u>\$ 2,002,696</u></u>
LIABILITIES and NET ASSETS		
Loan payable	<u>\$ 737,659</u>	<u>\$ 844,403</u>
Total liabilities	<u>737,659</u>	<u>844,403</u>
Net assets:		
Without donor restrictions	1,001,717	1,063,396
With donor restrictions	<u>803,874</u>	<u>94,897</u>
Total net assets	<u>1,805,591</u>	<u>1,158,293</u>
Total liabilities and net assets	<u><u>\$ 2,543,250</u></u>	<u><u>\$ 2,002,696</u></u>

See notes to financial statements.

HASKINS LABORATORIES, INC.  
STATEMENTS of ACTIVITIES -  
MODIFIED CASH BASIS  
Years ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:						
Research grants and contracts	\$ 5,677,079	\$ -	\$ 5,677,079	\$ 5,271,354	\$ -	\$ 5,271,354
Contributions	31,710	727,007	758,717	41,309	27,606	68,915
Net realized and unrealized gains (losses) on investments	( 69,861)	( 1,423)	( 71,284)	155,798	( 669)	155,129
Interest and dividends, net	7,146	1,667	8,813	19,794	1,748	21,542
Miscellaneous income	4,276	-	4,276	1,463	-	1,463
Net assets released from restrictions	18,274	( 18,274)	-	3,345	( 3,345)	-
Total revenues, gains, and other support	5,668,624	708,977	6,377,601	5,493,063	25,340	5,518,403
Expenses and losses:						
Research expenses	5,728,715	-	5,728,715	5,210,870	-	5,210,870
Student scholarship expenses	-	-	-	3,345	-	3,345
Administrative and general expenses, net of recovery	1,588	-	1,588	1,177,026	-	1,177,026
Leasehold improvements and equipment additions (for use in tax exempt activities):						
From research grants and contracts	9,283	-	9,283	97,637	-	97,637
From lab support	-	-	-	3,000	-	3,000
Total expenses and losses	5,739,586	-	5,739,586	6,491,878	-	6,491,878
Increase (decrease) in net assets before transfers	( 70,962)	708,977	638,015	( 998,815)	25,340	( 973,475)
Transfer of funds:						
Additions to leasehold improvements and equipment	9,283	-	9,283	100,637	-	100,637
Increase (decrease) in net assets	( 61,679)	708,977	647,298	( 898,178)	25,340	( 872,838)
Net assets, beginning of year	1,063,396	94,897	1,158,293	1,961,574	69,557	2,031,131
Net assets, end of year	\$ 1,001,717	\$ 803,874	\$ 1,805,591	\$ 1,063,396	\$ 94,897	\$ 1,158,293

See notes to financial statements.

HASKINS LABORATORIES, INC.  
STATEMENTS of CASH FLOWS -  
MODIFIED CASH BASIS  
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets before transfer of funds	\$ 638,015	(\$ 973,475)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Transfer of funds:		
Additions to leasehold improvements and equipment	9,283	100,637
Net realized and unrealized (gains) losses on investments	71,284	( 155,129)
Depreciation and amortization	122,583	116,793
Decrease (increase) in assets:		
Unreimbursed expenditures due	( 114,997)	( 48,753)
Other assets	<u>2,658</u>	<u>54,349</u>
Net cash provided (used) by operating activities	<u>728,826</u>	<u>( 905,578)</u>
Cash flows from investing activities:		
Purchases of equipment	( 9,283)	( 100,637)
Purchases of investments	( 335,205)	( 343,351)
Proceeds from sales of investments	<u>263,345</u>	<u>1,286,692</u>
Net cash provided (used) by investing activities	<u>( 81,143)</u>	<u>842,704</u>
Cash flows from financing activities:		
Principal payments on loan payable	<u>( 106,744)</u>	<u>( 93,291)</u>
Net cash used by financing activities	<u>( 106,744)</u>	<u>( 93,291)</u>
Net increase (decrease) in cash and cash equivalents	540,939	( 156,165)
Cash and cash equivalents, beginning of year	<u>88,295</u>	<u>244,460</u>
Cash and cash equivalents, end of year	<u><u>\$ 629,234</u></u>	<u><u>\$ 88,295</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u><u>\$ 36,072</u></u>	<u><u>\$ 59,099</u></u>

See notes to financial statements.



HASKINS LABORATORIES, INC.  
NOTES to FINANCIAL STATEMENTS  
December 31, 2018 and 2017

---

1 - Summary of Significant Accounting Policies

Nature of Activities

Haskins Laboratories, Inc. is a not-for-profit organization located in New Haven, Connecticut. Its stated purpose is to conduct and promote research in the field of human communications. The Laboratory's main source of revenue is grants received from the U.S. Department of Health and Human Services.

Basis of Accounting

The accompanying financial statements are prepared on the modified cash basis of accounting. That basis differs from U.S. generally accepted accounting principles primarily because the Laboratory recognizes expenses when paid rather than when incurred and recognizes revenue and related assets when earned based on expenses paid. Also, a liability for post-retirement benefits, and their related effects on the change in net assets is not recognized.

Unreimbursed Expenditures Due

Unreimbursed expenditures due consist of certain program expenses that were paid as of year-end and are eligible for reimbursement from the funding entity, but remain unreimbursed as of year-end.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

In August 2016, with an effective date for years beginning after December 15, 2017, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities"*, that requires The Laboratory to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, it requires The Laboratory to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both natural and functional

classification in one location in the financial statements. The Laboratory adopted ASU No. 2016-14 during the year ended December 31, 2018, and retrospectively applied the provisions of ASU No. 2016-14. As a result of adoption of ASU No. 2016-14 there was no effect on the net assets of The Laboratory.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

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.

#### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at market value in the statement of financial position. Realized and unrealized gains and losses on these investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

#### Leasehold Improvements and Equipment

Acquisitions of leasehold improvements and equipment greater than or equal to five thousand dollars are capitalized.

Leasehold improvements and equipment are carried at cost. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of individual assets.

#### Contributions

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets

with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### Tax Status

The Laboratory is exempt from Federal income taxes under Internal Revenue Code section 501(c)(3) and is not considered a private foundation because it is an organization described in sections 170(b)(1)(A)(vi) and 509(a)(1) of the Code.

The Laboratory evaluates all significant tax positions as required by U.S. generally accepted accounting principles. As of December 31, 2018, the Laboratory does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year. It is the Laboratory's policy to recognize any interest and penalties in the provision for taxes.

The tax returns of the Laboratory for 2015, 2016, 2017, and 2018 are subject to examination by federal and state authorities generally for three years after they were filed.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Laboratory considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Subsequent Events

The Laboratory has evaluated subsequent events for the period after December 31, 2018 through May 31, 2019, the date the financial statements were available to be issued.

## 2 - Liquidity and Availability of Financial Assets

The Laboratory's financial assets available for general expenditure, within one year of the statement of financial position date, comprise the following as of December 31, 2018:

Cash and cash equivalents	\$ 629,234
Investments	893,914
Unreimbursed expenditures due	<u>203,701</u>
Total financial assets	<u>1,726,849</u>
Less amounts unavailable for general expenditure within one year due to:	
Contractual or donor imposed restrictions - restricted funds	<u>( 803,874)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 922,975</u></u>

## 3 - Investments

The Laboratory's investments at December 31 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Investments held in Merrill Lynch accounts	<u>\$ 893,914</u>	<u>\$ 893,338</u>

Investments held in the Merrill Lynch accounts consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Equities	36%	35%
Mutual Funds	<u>64%</u>	<u>65%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

As the financial markets experience volatility, the Laboratory's investment portfolio will change in value. In light of the volatility in the markets, any decisions based upon these financial statements must take into consideration current information along with calendar year end information.

#### 4 - Fair Value Measurements

The Laboratory utilizes the market approach as the valuation technique to measure fair value of its financial instruments. U.S. generally accepted accounting principles, establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities where the Laboratory has the ability to access at the measurement date;

Level 2 - Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly (i.e. quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 - Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis at December 31, 2018 are as follows:

Description	Total Fair Market Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 322,790	\$ 322,790	\$ -	\$ -
Mutual funds	571,124	571,124	-	-
Total	<u>\$ 893,914</u>	<u>\$ 893,914</u>	<u>\$ -</u>	<u>\$ -</u>

Assets measured at fair value on a recurring basis at December 31, 2017 are as follows:

Description	Total Fair Market Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 308,772	\$ 308,772	\$ -	\$ -
Mutual funds	584,566	584,566	-	-
Total	<u>\$ 893,338</u>	<u>\$ 893,338</u>	<u>\$ -</u>	<u>\$ -</u>

The Laboratory's policy is to recognize transfers in and transfers out of each level as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between each level during the years ended December 31, 2018 and 2017.

## 5 - Leasehold Improvements and Equipment

Details of leasehold improvements and equipment at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 1,581,895	\$ 1,581,895
Laboratory equipment - government funded	928,629	929,930
Furniture and office equipment	326,078	326,078
Computers and peripherals	<u>3,000</u>	<u>7,868</u>
	2,839,602	2,845,771
Less, Accumulated depreciation and amortization	<u>( 2,185,616)</u>	<u>( 2,078,485)</u>
Net	<u><u>\$ 653,986</u></u>	<u><u>\$ 767,286</u></u>

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$122,583 and \$116,793, respectively.

## 6 - Loan Payable

In July 2004 the Laboratory entered into a loan agreement with Yale University for the purpose of financing certain leasehold improvements to its office and laboratory space for an amount up to \$2,000,000. The total actual borrowings on the loan were \$1,667,550.

The significant terms and conditions of the loan are as follows:

Maturity Date - November 1, 2024

Interest rate - fixed rate of 4.00% as of March 2018; previous rate was 6.60%.

Security - all furniture, fixtures, equipment, general intangibles, and right title and interest into and under the lease.

Maturity of the loan payable is as follows as of December 31, 2018:

2019	\$ 112,762
2020	117,356
2021	122,138
2022	127,113
2023	132,293
2024	<u>125,997</u>
	<u>\$ 737,659</u>

#### 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Graduate student scholarship	\$ 24,559	\$ 24,469
Young investigator award	31,206	31,071
Conference	11,770	11,751
Workshop on statistical learning	9,332	27,606
Academy in Manayunk (AIM) collaborative project	60,604	-
Oberkotter Foundation collaborative project	<u>666,403</u>	<u>-</u>
	<u>\$ 803,874</u>	<u>\$ 94,897</u>

#### 8 - Net Assets Released from Restrictions

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Graduate Student Scholarship	\$ -	\$ 3,345
Workshop on statistical learning	<u>18,274</u>	<u>-</u>
	<u>\$ 18,274</u>	<u>\$ 3,345</u>

## 9 - Leases

The Laboratory entered into an operating lease, which expires in March 2025, for its office facility. The agreement calls for a monthly base rent of \$46,484, subject to a consumer price index increase every third year of the lease, plus a pro rata share for utilities, real estate taxes, and building operating expenses. The lease may be extended, at the option of the Laboratory, for one additional period of ten years, with the same terms and conditions. The Laboratory has entered into various other operating leases for office equipment and parking lot rental that expire over various periods through 2020. Rent expense, net of sub-lease income, for the years ended December 31, 2018 and 2017 was approximately \$739,000 and \$763,000, respectively.

The Laboratory began sub-leasing office space in January 2013. The initial lease term expired in October 2015 and was extended to October 31, 2017, and calls for a current monthly rental of \$5,114. While this sub-lease extension is being negotiated, the tenant continues to pay \$5,114 per month. The rental income received on this lease for 2018 and 2017 was \$56,254 and is netted against rent expense. In addition, the Laboratory began sub-leasing additional office space in October 2018. The lease term expires in September 2022 and calls for a monthly rental of \$13,490. The rental income received on this lease for 2018 was \$40,470 and is netted against rent expense. The future annual minimum rentals to be received subsequent to December 31, 2018 are netted in the table below.

Future minimum lease payments on the above leases for the five years subsequent to December 31, 2018 are approximately as follows:

2019	\$ 661,000
2020	623,000
2021	582,000
2022	607,000

## 10 - Retirement Plans

The Laboratory maintains a contributory pension plan provided through the Teachers Insurance and Annuity Association of America which covers all eligible employees who have completed twelve months of service. Participation in the plan is voluntary and allows employees to defer a portion of their salary on a pre-tax basis. The plan allows for the Laboratory to make discretionary contributions. Pension expense for 2018 and 2017 amounted to \$207,411 and \$352,124, respectively.

The Laboratory maintains a separate defined contribution retirement plan in which there are no minimum service requirements and all contributions are made exclusively by the employee.

The Laboratory maintains a defined benefit postretirement health plan, that covers certain eligible employees, to provide a health benefit allowance to be applied toward the purchase of retiree health benefits under the Laboratory's group health plan. The health benefit allowance is adjusted by an annual indexing procedure based on the medical care component of the consumer price index. To be eligible for the plan, a participant must have been employed after January 1, 1995 and must meet certain age and years of service requirements. The Laboratory pays 100% of the total annual premium cost of the plan. The Laboratory has not adopted



certain U.S. generally accepted accounting principles, which requires the accrual of the expected cost of providing postretirement benefits during the years that the employee renders the necessary service and the recording of the funded status of such plan. In accordance with the Laboratory's modified cash basis of accounting, the postretirement benefits are recorded on a pay-as-you-go (cash) basis. The total postretirement benefit expense for the year ended December 31, 2018 amounted to \$16,797. There was no postretirement benefit expense for the year ended December 31, 2017.

### 11 - Contingencies

Federally funded research programs are subject to special audit. Such audits could result in claims against the resources of the Laboratory. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

### 12 - Concentration of Credit Risk

The Laboratory maintains cash deposits in bank deposit accounts which at times may exceed FDIC insured limits. The Laboratory has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

### 13 - Details of Functional Expenses

Details of functional expenses at December 31, 2018 are as follows:

	Research Expenses	Administrative and General Expenses, Net of Recovery	Total Expenses
Salaries	\$ 1,875,369	\$ 490,336	\$ 2,365,705
Fringe benefits	802,658	( 589)	802,069
Professional fees, consultants and subcontractors	1,146,550	150,623	1,297,173
Occupancy	548	773,956	774,504
Travel	94,844	8,072	102,916
Supplies	83,241	83,167	166,408
Interest	-	36,072	36,072
Miscellaneous	18,629	44,244	62,873
Sub-total	4,021,839	1,585,881	5,607,720
Overhead charged (applied)	1,664,232	( 1,664,232)	-
Total before depreciation and amortization	5,686,071	( 78,351)	5,607,720
Depreciation and amortization	42,644	79,939	122,583
Totals	\$ 5,728,715	\$ 1,588	\$ 5,730,303

Details of functional expenses at December 31, 2017 are as follows:

	Research Expenses	Administrative and General Expenses, Net of Recovery	Total Expenses
Salaries	\$ 2,043,861	\$ 675,258	\$ 2,719,119
Fringe benefits	817,545	263,506	1,081,051
Professional fees, consultants and subcontractors	1,035,262	158,667	1,193,929
Occupancy	61	823,940	824,001
Travel	119,803	2,511	122,314
Supplies	61,369	88,744	150,113
Interest	-	59,099	59,099
Miscellaneous	24,250	97,227	121,477
Sub-total	4,102,151	2,168,952	6,271,103
Overhead charged (applied)	1,071,566	( 1,071,566)	-
Total before depreciation and amortization	5,173,717	1,097,386	6,271,103
Depreciation and amortization	37,153	79,640	116,793
Totals	<u>\$ 5,210,870</u>	<u>\$ 1,177,026</u>	<u>\$ 6,387,896</u>

#### 14 - Overhead Costs

The Laboratory charges its grant and contract supported programs with overhead costs calculated in a manner that is prescribed by funding agencies. The calculation of overhead rates is based on the relationship of general support expenses to research expenses, applied on a consistent basis.

HASKINS LABORATORIES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended December 31, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipient
Major (All Research and Development):			
U.S. Department of Health and Human Services:			
National Institutes of Health:	93.865		
Individual Differences in Learning Potential for Language and Literacy 4R01HD071988-04		\$ 382,559	\$ -
Training-Induced Plasticity in Human Motor and Sensory Items 5R01HD075740-05		548,656	173,800
Retrieval Interference in Skilled and Unskilled Reading Comprehension 5R01HD073288-05		406,363	-
Probabilistic computation in the cortex of the developing human brain 7R21HD088731-02		130,294	18,756
Tracking neurocognitive changes during evidence-based reading instruction in typically and atypically developing children 1R37HD090153-01A1		301,624	94,525
5R37HD090153-02		321,510	85,561
Neural decoding of the developing brain mechanisms for language acquisition 1F32HD094553-01A1		29,944	-
Sub-Total		2,120,950	372,642
National Institutes of Health:	93.173		
Links Between Production and Perception in Speech 5R01DC002717-18		508,628	130,758
2R01DC002717-19A1		299,401	9,082

...Continued...

HASKINS LABORATORIES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended December 31, 2018  
...Continued...

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipient
Major (All Research and Development) (continued):			
Speech and Motor Learning and Sensory Plasticity in Children and Adults 5R01DC012502-05		\$ 127,721	\$ 87,280
Sign Language Acquisition, Annotation, Archiving and Sharing 5R01DC013578-03		301,932	20,644
5R01DC013578-04		120,878	2,728
Neurochemistry as a Moderator of Brain Networks for Reading 5R01HD086168-02		416,613	89,415
5R01HD086168-03		397,349	75,213
The Negative BOLD Response in Speech Production and Persistent Stuttering 5R21DC015855-02		199,019	-
Sensory Basis for Speech Motor Learning 1R56DC016274-01A1		47,551	-
Decoding the neural time-course of spoken word recognition 1R21DC017596-01		5,309	-
Sub-Total		2,424,401	415,120
National Science Foundation:			
Collaborative Research: Prosodic Structure: An Integrated Empirical and Modeling Investigation BCS-1551428	47.075	44,929	22,183
Sub-Total		44,929	22,183

...Continued...

HASKINS LABORATORIES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended December 31, 2018  
...Continued...

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipient
Major (All Research and Development) (continued):			
Passed Through Other Organizations:			
Georgia State University - NIH Neurocognitive Bases of Treatment Resistance in Developmental Dyslexia under 5P01HD070837-04	93.865	\$ 167,428	\$ -
Southern Connecticut State University - NIH Neurobiological Signatures of Perception and Imitation of AV Speech in Children with ASD under 2R15DC013864-02	93.173	33,795	-
Research Foundation of City University of New York - NIH Improving Clinical Speech Remediation with Ultrasound Technology under 5R01DC013668-04	93.173	163,780	-
Georgia State University - NIH Neurocognitive Bases of Treatment Resistance in Developmental Dyslexia under 3P01HD070837-04S1	93.865	34,612	-
Florida State University - NIH Experiential and child factors that determine acquisition orthographic-phonological regularities in a quasi-regular writing system: An integrated behavioral/computational/ neurobiological approach under 1P20HD091013-01	93.865	169,755	-
Florida State University - NIH The Florida Learning Disabilities Research Center under 2P50HD052120-11 under 2P50HD052120-12	93.865	82,800 93,576	- -
Georgetown University - NIH Statistical approaches to linguistic pattern learning under 2R01HD037082-15A1	93.865	202,848	-
Florida State University - NIH The Florida Learning Disabilities Research Center under 2P50HD052120-11 under 5P50HD052120-12	93.865	3,897 1,202	- -
Sub-Total		953,693	-
Total Federal Awards		\$ 5,543,973	\$ 809,945

See notes to schedule of expenditure of federal awards

HASKINS LABORATORIES, INC.  
NOTES to SCHEDULE of EXPENDITURES  
of FEDERAL AWARDS  
For the year ended December 31, 2018

---

1. Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Haskins Laboratories, Inc., under programs of the federal government for the year ended December 31, 2018 and is presented on a modified cash basis of accounting. That basis differs from U.S. generally accepted accounting principles primarily because the Organization recognizes expenses when paid rather than when incurred and recognizes revenue and related assets when earned based on expenses paid. Also, a liability for postretirement benefits, and their related effects on the change in net assets is not recognized. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of The Haskins Laboratories, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Haskins Laboratories, Inc.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on a modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Haskins Laboratories, Inc. did not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

# SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS  
296 STATE STREET  
NORTH HAVEN, CONNECTICUT 06473-2165  
(203) 248-9341  
FAX (203) 248-5813

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors

Haskins Laboratories, Inc.

New Haven, Connecticut

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Haskins Laboratories, Inc. (a nonprofit organization), which comprise the statement of financial position-modified cash basis as of December 31, 2018 and the related statements of activities-modified cash basis and cash flows-modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Haskins Laboratories, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Haskins Laboratories, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Haskins Laboratories, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Haskins Laboratories, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Seward and Monde*

North Haven, Connecticut  
May 31, 2019



# SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS  
296 STATE STREET  
NORTH HAVEN, CONNECTICUT 06473-2165  
(203) 248-9341  
FAX (203) 248-5813

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors

Haskins Laboratories, Inc.

New Haven, Connecticut

### **Report on Compliance for Each Major Federal Program**

We have audited Haskins Laboratories, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Haskins Laboratories, Inc.'s major federal programs for the year ended December 31, 2018. Haskins Laboratories, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Haskins Laboratories, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Haskins Laboratories, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Haskins Laboratories, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Haskins Laboratories, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### **Report on Internal Control Over Compliance**

Management of Haskins Laboratories, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Haskins Laboratories, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Haskins Laboratories, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Seward and Monde*

North Haven, Connecticut  
May 31, 2019

HASKINS LABORATORIES, INC.  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
Year ended December 31, 2018  

---

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

    Material weakness(es) identified?       yes   X  no

    Significant deficiency(ies) identified?       yes   X  none reported

Noncompliance material to financial statements noted?       yes   X  no

**Federal Awards**

Internal control over major programs:

    Material weakness(es) identified?       yes   X  no

    Significant deficiency(ies) identified?       yes   X  none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance?       yes   X  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:   \$750,000  

Auditee qualified as low-risk auditee?   X  yes       no

**Section II - Financial Statement Findings**

There are no findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings or questioned costs to report.