SOUND GENERATIONS AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

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YEAR ENDED DECEMBER 31, 2023

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sound Generations and Affiliates
Seattle, Washington

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sound Generations and Affiliates (collectively, the Sound Generations), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sound Generations as of December 31, 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Sound Generations 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sound Generations' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sound Generations' 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 consolidated financial statements.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 September 26, 2024 on our consideration of Sound Generations' 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 solely 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 Sound Generations' 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 Sound Generations' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
September 26, 2024

SOUND GENERATIONS AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,572,499
Accounts Receivable	74,680
Government Grants and Contracts Receivable	3,101,726
Inventory	62,306
Prepaid Expenses	233,524
Total Current Assets	5,044,735
RESTRICTED CASH	2,786,126
UNEMPLOYMENT COMPENSATION TRUST DEPOSITS	234,642
INVESTMENTS	7,722,190
ENDOWMENTS INVESTMENTS	2,149,367
PROPERTY AND EQUIPMENT, NET	7,244,633
OPERATING ROU ASSETS, NET	1,352,986
Total Assets	$ 26,534,679

LIABILITES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable and Other Accrued Expenses	$ 771,011
Accrued Payroll	1,776,058
Unearned Revenue	62,900
Current Lease Liabilities - Operating	271,174
Long-Term Debt, Current Portion	153,418
Total Current Liabilities	3,034,561
LONG-TERM LEASE LIABILITIES, NET	1,142,285
LONG-TERM DEBT, NET	7,296,749
Total Liabilities	11,473,595
NET ASSETS	
Without Donor Restrictions	10,096,195
With Donor Restrictions	4,964,889
Total Net Assets	15,061,084
Total Liabilities and Net Assets	$ 26,534,679

See accompanying Notes to Consolidated Financial Statements.

SOUND GENERATIONS AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Government Grants	$ 16,020,981	$ 53,724	$ 16,074,705
Contributions of Cash and Other Financial Assets	2,021,111	1,339,680	3,360,791
Contributions of Nonfinancial Assets	1,819,230	-	1,819,230
Net Assets Released from Restriction	730,611	(730,611)	-
Total Public Support	20,591,933	662,793	21,254,726
REVENUE AND GAIN			
Program Service Fees and Sales	2,074,205	-	2,074,205
Rental Income and Other	430,551	-	430,551
Net Investment Return	676,374	328,325	1,004,699
Total Revenue	3,181,130	328,325	3,509,455
Total Public Support, Revenue, and Gain	23,773,063	991,118	24,764,181
EXPENSES			
Program Services	19,575,094	-	19,575,094
Management and General	3,202,595	-	3,202,595
Fundraising	942,159	-	942,159
Total Expenses	23,719,848	-	23,719,848
CHANGE IN NET ASSETS	53,215	991,118	1,044,333
Net Assets - Beginning of Year	10,042,980	3,973,771	14,016,751
NET ASSETS - END OF YEAR	$ 10,096,195	$ 4,964,889	$ 15,061,084

See accompanying Notes to Consolidated Financial Statements.

SOUND GENERATIONS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services										
					Senior Centers						
	Senior Information and Assistance	Transportation Services	Nutrition Projects	Health and Wellness	Affiliated	Agency Programs	Belltown, LLC	Total Program Services	Management and General	Fundraising	Total All Services
PAYROLL EXPENSES											
Salaries and Wages	$ 1,597,985	$ 2,630,364	$ 1,654,350	$ 456,197	$ 1,728,611	$ 444,206	$ 59,273	$ 8,570,986	$ 1,799,222	$ 428,021	$ 10,798,229
Employee Benefits	267,516	449,723	282,116	74,905	284,434	73,598	9,798	1,442,090	284,074	70,913	1,797,077
Payroll Taxes	167,239	334,365	173,960	42,604	169,651	42,730	8,739	939,288	171,171	39,616	1,150,075
Total Payroll Expenses	2,032,740	3,414,452	2,110,426	573,706	2,182,696	560,534	77,810	10,952,364	2,254,467	538,550	13,745,381
EXPENSES											
Program Supplies and Equipment	117,092	69,278	2,860,254	13,172	335,646	26,145	2,197	3,423,784	26,688	26,146	3,476,618
Occupancy	144,510	127,257	226,722	29,160	624,385	22,607	283,327	1,457,968	104,165	23,906	1,586,039
Professional Fees and Instructions	324,066	53,836	273,161	142,840	392,911	132,207	2,742	1,321,763	549,995	211,147	2,082,905
In-Kind Rent and Other	5,000	617,546	352,638	-	178,266	3,500	1,567	1,158,517	-	443	1,158,960
Client and Other Transportation	274,161	210,823	50,302	3,114	33,275	2,410	110	574,195	11,173	7,148	592,516
Printing and Publications	4,008	5,673	4,971	1,314	69,109	1,307	26	86,408	104,133	82,572	273,113
Insurance	22,490	144,081	30,078	6,494	48,993	6,238	42,927	301,301	50,197	2,223	353,721
Interest	52,059	32,844	54,193	11,908	892	357	10,078	162,331	19,297	9,763	191,391
Telephone	29,147	52,281	24,538	5,353	26,656	4,082	2,527	144,584	14,215	7,895	166,694
Other	6,707	4,671	19,207	14,392	15,861	2,257	894	63,989	21,307	3,794	89,090
Bank Fees	1,191	590	9,447	1,646	23,816	20	11	36,721	17,087	6,180	59,988
Postage and Shipping	7,504	8,103	5,115	2,241	10,772	51	51	33,837	4,828	20,198	58,863
Taxes	1,849	441	15,372	603	48,286	169	732	67,452	5,242	114	72,808
Conference and Conventions	12,052	7,946	3,642	404	14,797	700	843	40,384	19,701	2,080	62,165
Total Expenses	1,001,836	1,335,370	3,929,640	232,641	1,823,665	202,050	348,032	8,873,234	948,028	403,609	10,224,871
Total Payroll Expenses and Expenses	3,034,576	4,749,822	6,040,066	806,347	4,006,361	762,584	425,842	19,825,598	3,202,495	942,159	23,970,252
Less: Expenses Eliminated Upon Consolidation	(2,600)	-	162,534	12,150	78,470	(50)	-	250,504	(100)	-	250,404
Total Functional Expenses	$ 3,037,176	$ 4,749,822	$ 5,877,532	$ 794,197	$ 3,927,891	$ 762,634	$ 425,842	$ 19,575,094	$ 3,202,595	$ 942,159	$ 23,719,848

See accompanying Notes to Consolidated Financial Statements.

SOUND GENERATIONS AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 1,044,333
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	580,010
Noncash Lease Expenses	28,122
Realized and Unrealized (Gain) Loss on Investments	(781,421)
(Increase) Decrease in Assets:	
Government Grants and Contracts Receivable	(800,645)
Accounts Receivable and Contributions Receivable	143,312
Inventory	10,565
Prepaid Expenses	185,720
Increase (Decrease) in Liabilities:	
Accounts Payable and Other Accrued Expenses	231,499
Accrued Payroll	(277,053)
Deferred Revenue	62,900
Net Cash Provided by Operating Activities	427,342
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	(1,602,381)
Purchases of Investments	(1,698,999)
Proceeds from Sales of Investments	133,815
Net Cash Used by Investing Activities	(3,167,565)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Long-Term Debt	2,305,710
Principal Payments on Long-Term Debt	(146,544)
Net Cash Used by Financing Activities	2,159,166
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(581,057)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	5,174,324
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 4,593,267

See accompanying Notes to Consolidated Financial Statements.

SOUND GENERATIONS AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR PER THE CONSOLIDATED STATEMENT OF CASH FLOWS TO CASH, CASH EQUIVALENTS, AND RESTRICTED CASH PER THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
Cash and Cash Equivalents	$ 1,572,499
Restricted Cash	2,786,126
Unemployment Compensation Trust Deposits	234,642
Total Cash, Cash Equivalents, and Restricted Cash per Consolidated Statement of Cash Flows	$ 4,593,267
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid During the Year for Interest	$ 185,213

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sound Generations and Affiliates (Sound Generations) is a multi-service, not-for-profit agency that was established in 1967 to provide a spectrum of services to support seniors in their efforts to live healthy, independent lives. This mission is carried out through numerous programs, senior centers, and adult day health programs providing services throughout King County.

The following affiliated senior centers were in operation during 2023. Their financial position, changes in their net assets, and cash flows have been included in the accompanying consolidated financial statements. All inter-entity transactions and accounts have been eliminated in consolidation.

- Northwest (Ballard)
- Shoreline/Lake Forest Park
- Sno Valley
- West Seattle

Subsequent to December 31, 2023, West Seattle will be deconsolidated from Sound Generations to chart an independent path and serve its community's unique needs and aspirations.

Programs Provided by Sound Generations

Assistance Services

Assistance Services - Assistance Services is the single access point for the wide range of community services for older adults. Staff provide information to callers, initiate services for those unable to act on their own behalf and follow up to ensure that services are in place and are appropriate.

Caregiver Outreach and Support - This program provides outreach, education, and services coordination throughout King County through community and workplace presentations. Caregiver Advocates offer information about community resources, encourage caregivers to utilize the full range of services available to them and the older persons for whom they care, and assist them in securing needed resources.

Community Information and Assistance - This program is designed to identify individuals 60 years of age and older who face cultural and racial barriers. The goal of the program is to inform these persons about available services and to encourage participation.

Senior Rights Assistance - This program provides peer counseling by trained volunteers. Information and advocacy is provided on insurance, Social Security, Medicare, wills, powers of attorney, end of life choices, landlord/tenant issues, and other health, consumer, and legal issues.

Minor Home Repair - This program performs critically needed plumbing, electrical, or carpentry repairs or modifications for low-income Seattle homeowners and disabled renters. The need for repair is related to preventing harm to the security, safety, or health of the resident.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs Provided by Sound Generations (Continued)

Assistance Services (Continued)

Geriatric Regional Assessment Team (GRAT) - The GRAT team provides reliable guidance for older adults. GRAT offers outreach, comprehensive assessment and early intervention for aging adults who are escalating toward crisis. The heart of GRAT is engaging with an elder, learning about their health and support, their strengths, difficulties, day to day functioning, and what they care about most. GRAT then helps connect older adults and loved ones with community resources for stabilization.

Transportation

Hyde Shuttle - Hyde Shuttles transport older adults (55+) and adults with disabilities of all ages to hot lunches at community partner sites, senior centers, grocery shopping, and other errands within King County, Washington. Neighborhood vans are provided for errands such as grocery shopping, banking, or visiting friends.

Volunteer Transportation - Volunteer Transportation helps older adults (60+) get to medical, dental, and other essential healthcare appointments.

Nutrition Projects

Community Dining - This program provides a variety of nutritional services to senior citizens in Seattle/King County. The objective of the program is to assist older persons to improve their health through good nutrition and connecting with caring social support networks. The program is designed to supplement the individual s dietary needs by serving nutritious meals and to provide knowledge about nutrition by giving nutrition education presentations.

Meals on Wheels - This program delivers nutritious meals to homebound older or disabled persons who reside in Seattle/King County. The goal is to enable homebound elderly persons to remain in their homes as long as possible by providing nutritious meals, which they would otherwise be unable to obtain.

Health and Wellness

This project includes several evidence-based components: EnhanceFitness, an exercise program; EnhanceWellness, a health behavior change program; A Matter of Balance, for falls prevention; and Pearls, for reducing depressive symptoms. Programs are offered to older adults in community settings in King County and various locations around the county. The programs are marketed to senior programs across the United States of America.

Senior Centers

These centers, located throughout King County, are community focal points where older adults have comprehensive access to programs and services that maximize their health and independence.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The financial statements consolidate the assets, liabilities, and activities of Sound Generations, its affiliated senior centers, Sno-Valley Senior Housing, and its wholly owned subsidiary, Belltown Senior Apartments, LLC (Belltown, LLC).

The Belltown building is divided into two separate condominium units: a residential unit and a commercial unit. The commercial unit consists of three floors occupied by Sound Generations for county-wide operations, a senior health and wellness center, and a community room. The residential unit consists of 25 affordable senior housing units on five floors managed by Sound Generations.

Sound Generations, its affiliated senior centers, and Belltown, LLC and Sno-Valley Senior Housing are collectively referred to as Sound Generations in these consolidated financial statements. All significant inter-entity transactions have been eliminated in the consolidation.

Basis of Presentation

The consolidated financial statements of Sound Generations have been prepared on the accrual basis. In the consolidated statement of financial position, assets and liabilities are presented on a classified basis, in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

In accordance with generally accepted accounting principles in the United States of America (GAAP), Sound Generations is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are available without restriction for support of Sound Generations' operations. Sound Generations' Board of Directors has designated certain amounts as investment funds which Sound Generations can use 4% of the fund each year for operations. The board-designated investment funds are $4,610,572 at December 31, 2023.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular programs or time periods. Other net assets have perpetual donor restrictions, where the principal of the contributions is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as the time restrictions are met. Contributions and investment gains are reported as without donor restrictions if donor restrictions are met in the year the contribution, or the investment gain is earned. Net assets with donor restrictions as of December 31, 2023 are as follows:

Subject to Expenditure for Specified Purpose:	
Nutrition Projects	$ 1,466,483
Health and Wellness	33,696
Transportation	49,773
Assistance Services	69,485
Senior Centers	179,689
Senior Rights Assistance Program	298,777
Sno-Valley Affordable Senior Apartments	717,620
Total	2,815,523
Endowments:	
Perpetual in Nature, Earnings from Which Are Subject to Endowment Spending Policy And Appropriation:	
Senior Center	5,000
General Use	2,144,366
Total	2,149,366
Total Endowments	2,149,366
Total	$ 4,964,889

Gifts of property and equipment are reported as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Net assets with perpetual restrictions represent endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for specific purposes or current operations.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2023:

Satisfaction of Purpose Restrictions	
Nutrition Projects	$ 183,286
Health and Wellness	1,433
Transportation	46,789
Assistance Services	75,649
Senior Centers	51,483
Senior Rights Assistance Program	85,000
General Operations	286,971
Total	$ 730,611

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of general checking and savings accounts and money market accounts (unless those funds are held for long-term purposes and classified as investments). Sound Generations maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. Sound Generations has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk. Replacement and operating cash reserves have been established according to terms of the contracts related to Belltown, LLC.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

Cash reserves are considered restricted cash and consist of the following:

	2023
Belltown, LLC	
Replacement Reserves	$ 188,318
Operating Reserves	66,723
Tenant Security Deposits	14,339
Total	269,380
Agency	
Nutrition Projects	1,466,483
Health and Wellness	33,696
Transportation	49,773
Assistance Services	69,485
Senior Centers	179,689
Sno-Valley Affordable Senior Apartments	717,620
Total	2,516,746
	$ 2,786,126

Accounts Receivable

Accounts receivable are stated at the amount of management expects to collect from balances outstanding at year-end. Sound Generations' policy does not provide for accrual of interest or other service charges on accounts receivable. At December 31, 2023 and 2022, accounts receivable was $74,680 and $41,110, respectively.

Allowance for Credit Losses

Sound Generations operates in a not-for-profit industry and its accounts receivable related primarily to contractual amounts due in the ordinary course of business. The allowance estimate is derived from a review of Sound Generations' historical losses based on the aging of accounts receivable. The estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by Sound Generations. Sound Generations believes that the composition of accounts receivable at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. Based on the information, management expects no credit losses at December 31, 2023.

Government Grants and Contracts Receivable

Government grants and contracts receivable consist primarily of non-interest-bearing amounts due from public grantors. Accounts are individually analyzed for collectability. Sound Generations determines the allowance for uncollectible receivable based on historical experience and an assessment of economic conditions and subsequent collections. Write-off receivable occurs when deemed uncollectible. Management determined that no allowance against these receivables was necessary at December 31, 2023. All receivables are deemed collectible by management.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory, which consist of food, supplies, and items donated for fundraising purposes, is stated at the lower of cost (determined on the first-in, first-out method) or net realizable value.

Unemployment Compensation Trust Deposits

Sound Generations is self-insured for unemployment benefits payable to terminated employees. Sound Generations maintains reserves in a trust (the Trust), which facilitates claims. The balance in the Trust was $234,642 at December 31, 2023. Total claims incurred in 2023 were $27,829.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1 - Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 - Unobservable market inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments

Sound Generations records its investments in fixed income securities, equity securities and certificates of deposits at their fair values in the consolidated statement of financial position. The fair value of investments was determined using Level 1 observable market inputs, within the fair value hierarchy, consisting of quoted prices in active markets (such as national exchanges) for identical assets. Certain money market funds and certificates of deposit are classified as investments based on their inclusion in investment portfolios. Investments are classified as long-term assets, as they are either restricted for the endowment (see Note 5 for further discussion) or Sound Generations is not planning to utilize them within the next year.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The following is a summary of the estimated fair value of Sound Generations' investments as of December 31, 2023:

Description	Total	Level 1	Level 2	Level 3
Money Market Funds	$ 770,072	$ 770,072	$ -	$ -
Certificates of Deposit	99,775	-	99,775	-
Equity Exchange-Traded Funds:				
Large Cap	1,241,837	1,241,837	-	-
Mid Cap	1,233,318	1,233,318	-	-
Small Cap	855,453	855,453	-	-
Emerging Markets	378,120	378,120	-	-
Developed Markets	862,200	862,200	-	-
Fixed Income Exchange-Traded Funds:				
High Yield Bonds	407,339	407,339	-	-
Core Bonds	2,441,860	2,441,860	-	-
International Bonds	148,110	148,110	-	-
Real Estate Exchange-Traded Funds:				
REIT	450,636	450,636	-	-
International Developed	136,288	136,288	-	-
Total Assets at Fair Value	9,025,008	$ 8,925,233	$ 99,775	$ -
Insured Bank Depoist	846,549			
Total Investments	$ 9,871,557			

Investments are presented in the consolidated statement of financial position as follows as of December 31, 2023:

Investments	$ 7,722,190
Endowment Investments	2,149,367
Total	$ 9,871,557

Net investment return (or loss) is reported on the consolidated statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at the time of the donation, if donated. Sound Generations capitalizes all items over $5,000 with a useful life of more than one year.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Depreciation expense was $580,010 for the year ended December 31, 2023, and is included with occupancy on the consolidated statement of functional expenses. Leasehold improvements are amortized over the shorter of the useful lives of the assets or the original lease term. Maintenance costs are expensed as incurred. Substantially all of the Belltown building serves as underlying assets for operating leases.

Property and equipment consist of the following at December 31, 2023:

	Estimated Useful Lives	Amount
Buildings	20 - 30 Years	$ 11,771,052
Furniture and Equipment	5 - 10 Years	913,295
Leasehold Improvements	5 - 10 Years	265,061
Vehicles	5 Years	465,241
Total		13,414,649
Less: Accumulated Depreciation and Amortization		(9,231,985)
Total		4,182,664
Land		1,244,740
Construction in Progress		1,817,229
Total		$ 7,244,633

Impairment of Long-Lived Assets

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, *Property, Plant and Equipment*, requires Sound Generations to review long-lived assets, such as fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments recognized in 2023.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from government grants is recorded when the conditions are met and the grant becomes unconditional (generally when service is provided or the related qualified expenditure is incurred).

Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the year ended December 31, 2023, no such adjustments were made.

Contributions (including those received through special events) are recorded when cash, securities or other assets, or an unconditional promise to give. Bequests are recognized as revenue when Sound Generations is notified by the executor as to the amount to be received and the estate has cleared probate.

Conditional promises to give, that is, those with a measurable performance or barrier and a right of return, are not recognized until the conditions on which they depend have been met. Sound Generations has conditional awards outstanding from government agencies and other donors for the following purposes at December 31, 2023:

Transportation	$ 2,490,076
Assistance Services	1,098,642
Senior Centers	937,007
Health and Wellness	341,780
Sno-Valley Senior Housing	326,220
Nutrition Projects	139,517
Total	$ 5,333,242

Program service fees consist of member fees and fees for classes and activities. Program sales consist of meals provided at senior center café and sales at senior center thrift shops. Sound Generations recognizes program service fee and sales revenue based on published prices. Sound Generations does not have any significant financing components as payment is received at registration or shortly after the service is provided which occur over a period of less than one day.

Program service fees and sales are disaggregated by timing of satisfaction of performance obligations for the years ended December 31, 2023 as follows:

Performance obligations satisfied at a point in time	$ 1,995,875
Performance obligations satisfied over time	78,330
Total	$ 2,074,205

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

There are no significant judgments affecting the determination of amount and timing of program service fees and sales.

Sound Generations receives regular monthly income from tenants, including subsidy payments, with operating leases at Belltown, LLC. Revenue from lease payments is recognized under the accrual method in accordance with lease contracts. Generally, lease contracts are for a one-year term and are cancelable with a 30-day notice by either party. Rent received in advance is recognized as prepaid rent until the rental service period.

Sound Generations also receives lease payments from tenants renting temporary space associated with the senior center buildings. Revenue from lease payments for renting spaces is recognized under the accrual method. Lease payments are included in rental income as rents become due. At the commencement of an operating lease, no revenue is recognized; subsequently, lease payments received are recognized in revenue on the straight-line basis.

Contributions of Nonfinancial Assets

Contributed nonfinancial assets consist primarily of a contributed facilities, property, equipment, and program supplies. Unless otherwise noted, Sound Generations does not sell donated in-kind gifts, contributed nonfinancial assets are utilized by Sound Generations' program services, and there are no donor-imposed restrictions associated with the contributed nonfinancial assets.

Sound Generations occupies certain premises at either reduced rates or no charge. Sound Generations recognizes in-kind contribution revenue and a corresponding expense in the consolidated statement of activities and changes in net assets and functional expenses in an amount approximating the annual estimated fair value per square foot for similar space.

It is Sound Generations' policy to sell a contributed property immediately upon receipt. The contributed property was sold and valued accordingly to the actual cash proceeds on its disposition. The cash proceeds are restricted for the construction of the Sno-Valley Affordable Senior Apartments.

Sound Generations estimated the fair value of contributed vehicles, vehicle maintenance and fuel on the basis of recent comparable U.S. prices (principal market) for identical vehicle rental, similar vehicle maintenance services, and fuel.

Sound Generations also receives donated supplies which are valued at estimated fair value using U.S. prices (principal market) for identical products using pricing data under a "like-kind" methodology.

Volunteers contribute significant amounts of time to Sound Generations' program services; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Nonfinancial Assets (Continued)

For the year ended December 31, 2023, contributed nonfinancial assets recognized within the consolidated statement of activities and changes in net assets included the following:

Occupancy	$	489,354
Property		651,575
Vehicles, Vehicle Maintenance and Fuel		617,546
Program Supplies		60,755
	$	1,819,230

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Occupancy and depreciation and amortization are allocated based on estimates of space supporting each function. Payroll, program supplies, professional fees, client and other transportation, insurance, printing and publications, interest, and other expenses are allocated based on estimates of time and effort.

Leases

Sound Generations leases facility, warehouse and equipment. Sound Generations determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the consolidated statement of financial position.

ROU assets represent Sound Generations' right to use an underlying asset for the lease term and lease liabilities represent Sound Generations' obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, Sound Generations uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Sound Generations will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Sound Generations has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position. Sound Generations does not have short-term leases as of December 31, 2023.

Sound Generations has not elected to separate nonlease components from lease components.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations and Commitments

48% of government grants and contracts receivable was from one government agency at December 31, 2023. Management is aware of the related vulnerability and believes the balances are fully collectible. For the year ended December 31, 2023, 54% of total public support, revenue, and gain were from two government agencies.

Sound Generations entered into construction contracts for Sno-Valley Senior Housing (Housing). The amount of future commitments for the Housing was approximately $6,091,000 at December 31, 2023.

Federal Income Taxes

The Internal Revenue Service has recognized Sound Generations and its affiliated senior centers as exempt from federal income tax under the provisions of Section 501(a) of the Internal Revenue Code as nonprofit organizations as described in Section 501(c)(3), and not as private foundations. Sound Generations obtained a group exemption in 1981, which allows Sound Generations to fulfill the Internal Revenue Service's filing requirements for its affiliated senior centers. Federal income tax is not payable by or provided for Belltown, LLC, which is considered a disregarded entity for federal income tax purposes. Sound Generations is still open to examination by U.S. tax authorities from 2018 forward. For the year ended December 31, 2023, there was no interest or penalties recorded in the consolidated statement of activities and changes in net assets related to uncertain tax positions.

Adoption of New Accounting Standard

In June 2016, the FASB issued No. 2016-13, *Financial Instruments Credit Losses (Topic 326), 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 changes 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 Sound Generations that are subject to the guidance in FASB ASC 326 were accounts receivable.

Sound Generations adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

Subsequent Events

Sound Generations has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was September 26, 2024.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

Generally, Sound Generations maintains liquid financial assets sufficient to cover 90 days of general expenditures. General expenditures beyond 90 days and within one year are held in cash and cash equivalent and short-term marketable securities. Endowment investments are comprised of highly liquid securities, none of which carry liquidity restrictions beyond one year.

The following table reflects Sound Generations' financial assets as of December 31, 2023, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date because of contractual restrictions:

Financial Assets at Year End:	
Cash and Cash Equivalents (Including Restricted Cash)	$ 4,358,625
Investments	9,871,557
Accounts Receivable	74,680
Government Grants and Contracts Receivable	3,101,726
Total	17,406,588
Less: Amounts Not Available to be Used Within One Year:	
Restricted Cash	(2,786,126)
Senior Center Investments	(1,671,433)
Investments With Endowment Restrictions and Designations	(2,149,367)
Net Assets With Donor Restrictions for Particular Purposes	(2,815,523)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 7,984,139

NOTE 3 LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2023:

Description	
Sound Generations	
Note payable to HomeStreet Bank, with interest at 4.45%, and monthly principal and interest repayments of $17,712 through maturity of March 1, 2029. An anticipated balloon payment of approximately $2.3 million is due at maturity. Secured by the commercial portion (the first three floors) of the Belltown building (with carrying value of $1,803,323 at December 31, 2023), assignment of rents, and generally all other assets. The note maintains certain financial covenants, and Sound Generations received waiver for its financial covenants for the year ended December 31, 2023.	$ 2,817,433
Series A and B revenue bonds issued through Washington State Housing Finance Commission, with interest at 3.63%, and combined monthly principal and interest repayments of $8,253 through maturity of March 2044. Secured by the commercial portion (the first three floors) of the Belltown building (with a carrying value of $1,952,074 at December 31, 2023), and assignment of rents.	1,412,064
Chrysler Capital - Payable at $459 per month including interest accrued at 2.90%. Collateralized by a vehicle.	3,510
Chrysler Capital - Payable at $489 per month including interest accrued at 2.90%. Collateralized by a vehicle.	3,867
Chrysler Capital - Payable at $489 per month including interest accrued at 2.90%. Collateralized by a vehicle.	3,867
Sound Generations Subtotal	4,240,741

NOTE 3 LONG-TERM DEBT (CONTINUED)

Description (Continued)	
Sno-Valley Senior Center	
State of Washington Department of Commerce note, original amount of $299,730; no interest, principal forgiven at maturity, July 2030, provided Sound Generations complies with all loan requirements.	$ 299,730
State of Washington Department of Commerce note, original amount of $1,982,037; bearing simple interest at 1% per annum; both principal and interest are deferred and due until maturity, June 30, 2074. Secured by land and building (with a carrying value of $696,134 at December 31, 2023).	1,405,981
Federal Home Loan Bank of Des Moines note, original amount of $600,000; no interest, principal forgiven at maturity, October 2039, provided Sound Generations compiles with all loan requirements.	600,000
Sno-Valley Senior Center Subtotal	2,305,711
Belltown, LLC	
City of Seattle note, bearing interest at 1% per annum; principal and interest repayments calculated at 50% of available net cash flows of the current year, due by June 30 of the following year. There were $0 available net cash flows at December 31, 2023 (including within the current portion of long-term debt). All principal and interest is due in full in October 2051, with the option to extend for one 25 year period. The note is secured by the deed of trust for the residential units of the Belltown Projects (with a carrying value of $1,163,172 at December 31, 2023) and assignment of rents.	647,254
State of Washington Department of Commerce note, with interest at 1% and annual principal and interest repayments pf $9,937. All principal and interest is due in full in December 2052. Secured by the deed of trust for the residential units of the Belltown Project (with a carrying value of $1,163,172 at December 31, 2023).	256,461
Belltown, LLC Subtotal	903,715
Total Long-Term Debt	7,450,167
Less: Current Portion	(153,418)
Total Long-Term Debt, Net	$ 7,296,749

NOTE 3 LONG-TERM DEBT (CONTINUED)

Principal maturities on all long-term debt are as follows:

Years Ending December 31,	Amount
2024	$ 153,418
2025	148,542
2026	154,678
2027	161,078
2028	167,321
Thereafter	6,665,130
Total	$ 7,450,167

Interest has not been imputed on any of the above long-term debt that carry below-market rate interest as they are payable to governmental agencies and carry legal restrictions. The restrictions require Sound Generations to use the property for senior housing who have low or moderate household income, as defined by the mortgage notes' regulatory agreements.

NOTE 4 LEASES – ASC 842

Lessee

Sound Generations leases equipment as well as warehouse and a facility for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2028. The agreements generally require the Company to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning Sound Generations' leases for the year ended December 31, 2023:

Lease Costs:	
Operating Lease Costs	$ 281,074
Short-Term Lease Costs	32,038
Variable Lease Costs	72,782
Total Lease Costs	$ 385,894
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	$ 252,951
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 291,772
Weighted-Average Remaining Lease Term - Operating Leases	3.8 years
Weighted-Average Discount Rate - Operating Leases	2.98%

NOTE 4 LEASES – ASC 842 (CONTINUED)

Lessee (Continued)

Sound Generations classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023, is as follows:

Year	Amount
2024	$ 288,643
2025	300,060
2026	313,701
2027	322,611
2028	257,974
Total Lease Payments	1,482,989
Less: Interest	(69,530)
Present Value of Lease Liabilities	$ 1,413,459
Current Lease Liabilities - Operating	$ 271,174
Long-Term Lease Liabilities	1,142,285
	$ 1,413,459

Lessor

Leasing operations consist principally of operating leases of commercial real estate expiring in various years through 2026 in which Sound Generations is the lessor. Certain leases provide for renewal options and increases in lease payments based on fixed percentages.

Revenue from lease payments recognized as rental income and other in the consolidated statement of activities and changes in net assets is $196,358 for the year ended December 31, 2023.

Following is a maturity analysis of annual undiscounted cash flows to be received from operating leases as of the end of 2023:

Year	Amount
2024	$ 100,220
2025	101,267
2026	52,135
Total Minimum Future Rentals	$ 253,622

Following is a summary of property on or held for lease at December 31, 2023:

Building	$ 3,009,254
Less Accumulated Depreciation	(1,720,373)
Total Leased Property	$ 1,288,881

NOTE 5 ENDOWMENT

Sound Generations endowment consists of four individual funds established to support a variety of program areas. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Sound Generations has interpreted the State of Washington Prudent Management of Institutional Funds Act (PMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted perpetual endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Sound Generations retains in perpetuity (a) the original value of gifts donated to the perpetual endowment, plus (b) the original value of subsequent gifts to the perpetual endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriate for expenditure by Sound Generations in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, Sound Generations considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of Sound Generations and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of Sound Generations
- The investment policies of Sound Generations

Endowment net assets consisted of the following as of December 31:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds			
Senior Center Endowments	$ -	$ 5,000	$ 5,000
General Endowments	-	2,144,366	2,144,366
Total	$ -	$ 2,149,366	$ 2,149,366

NOTE 5 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets are as follows as of December 31:

	2023			
		With Donor Restrictions		
	Without Donor Restrictions	Accumulated Earnings	Perpetual Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ -	$ -	$ 2,149,366	$ 2,149,366
Investment Return, Net	-	288,947	-	288,947
Appropriations for Expenditure	-	(288,947)	-	(288,947)
Total Endowment Net Assets - End of Year	$ -	$ -	$ 2,149,366	$ 2,149,366

Return Objectives and Risk Parameters

Sound Generations has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the entity must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a well-diversified, balanced portfolio intended to capture the broad market return. This means the portfolio assumes moderate investment risk consistent with the broad market.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Sound Generations relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Sound Generations targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

Sound Generations has a policy of appropriating for distribution each year 5% of its endowment fund's fair value at October 31 of the year preceding the fiscal year in which the distribution is planned. In establishing this policy, Sound Generations considered the long-term expected return on its endowment. Accordingly, over the long term, Sound Generations expected the current spending policy to allow its endowment to grow at a rate consistent with the broad market return. This is consistent with Sound Generations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 5 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires Sound Generations to retain as a fund of perpetual duration. As of December 31, 2023, there were no endowed funds in which the fair value of the endowed assets was less than the related donor-related amounts.

NOTE 6 RETIREMENT PLAN

Sound Generations provides a 401(k) plan (the Plan) for all eligible employees and contributes 3% of total employee earnings regardless of employee contribution levels. Total contributions made by Sound Generations was $316,274 for the year ended December 31, 2023.

Supplementary Information

SOUND GENERATIONS AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

				Senior Centers						
			Sno Valley		Shoreline/Lake			Total		
	Agency	Belltown, LLC	Senior Housing	Ballard	Forest Park	Sno Valley	West Seattle	Senior Centers	Eliminations	Total
ASSETS										
CURRENT ASSETS										
Cash and Cash Equivalents	$ 493,122	$ -	$ 341,646	$ 356,203	$ 172,241	$ 145	$ 209,142	$ 737,731	$ -	$ 1,572,499
Accounts Receivable	74,680	-	-	-	-	-	-	-	-	74,680
Government Grants and Contracts Receivable	2,670,523	409	-	38,482	51,349	301,441	39,522	430,794	-	3,101,726
Inventory	62,306	-	-	-	-	-	-	-	-	62,306
Due from (to) Other Funds	334,298	14,257	(95)	(70,287)	23,880	(88,047)	(214,006)	(348,460)	-	-
Prepaid Expenses	221,893	11,631	-	-	-	-	-	-	-	233,524
Total Current Assets	3,856,822	26,297	341,551	324,398	247,470	213,539	34,658	820,065	-	5,044,735
RESTRICTED CASH	2,516,746	269,380	-	-	-	-	-	-	-	2,786,126
UNEMPLOYMENT COMPENSATION TRUST DEPOSITS	234,642	-	-	-	-	-	-	-	-	234,642
INVESTMENTS	6,050,757	-	-	-	-	1,671,433	-	1,671,433	-	7,722,190
ENDOWMENTS INVESTMENTS	2,144,367	-	-	-	-	5,000	-	5,000	-	2,149,367
INVESTMENT IN RELATED ENTITY	446,661	-	-	-	-	1,939,255	-	1,939,255	(2,385,916)	-
PROPERTY AND EQUIPMENT, NET	2,036,182	1,168,711	1,933,514	-	-	696,134	1,461,572	2,157,706	(51,480)	7,244,633
OPERATING ROU ASSETS, NET	985,380	-	-	10,815	298,873	40,144	17,774	367,606	-	1,352,986
Total Assets	$ 18,271,557	$ 1,464,388	$ 2,275,065	$ 335,213	$ 546,343	$ 4,565,505	$ 1,514,004	$ 6,961,065	$ (2,437,396)	$ 26,534,679

SOUND GENERATIONS AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2023

				Senior Centers						
	Agency	Belltown, LLC	Sno Valley Senior Housing	Ballard	Shoreline/Lake Forest Park	Sno Valley	West Seattle	Total Senior Centers	Eliminations	Total
LIABILITES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts Payable and Other Accured Expenses	$ 265,181	$ 126,448	$ 335,809	$ 15,487	$ 8,181	$ 11,595	$ 8,310	$ 43,573	$ -	$ 771,011
Accrued Payroll	1,771,930	-	-	-	-	-	4,128	4,128	-	1,776,058
Unearned Revenue	-	-	-	7,040	18,535	9,513	27,812	62,900	-	62,900
Current Lease Liabilities - Operating	190,177	-	-	10,815	56,886	9,848	3,448	80,997	-	271,174
Long-Term Debt, Current Portion	145,972	7,446	-	-	-	-	-	-	-	153,418
Total Current Liabilities	2,373,260	133,894	335,809	33,342	83,602	30,956	43,698	191,598	-	3,034,561
LONG-TERM LEASE LIABILITIES - OPERATING, NET	821,167	-	-	-	276,496	30,295	14,327	321,118	-	1,142,285
LONG-TERM DEBT, NET	4,094,769	896,269	-	-	-	2,305,711	-	2,305,711	-	7,296,749
Total Liabilities	7,289,196	1,030,163	335,809	33,342	360,098	2,366,962	58,025	2,818,427	-	11,473,595
NET ASSETS										
Without Donor Restrictions	6,017,472	434,225	1,939,256	301,871	186,245	2,198,543	1,455,979	4,142,638	(2,437,396)	10,096,195
With Donor Restrictions	4,964,889	-	-	-	-	-	-	-	-	4,964,889
Total Net Assets	10,982,361	434,225	1,939,256	301,871	186,245	2,198,543	1,455,979	4,142,638	(2,437,396)	15,061,084
Total Liabilities and Net Assets	$ 18,271,557	$ 1,464,388	$ 2,275,065	$ 335,213	$ 546,343	$ 4,565,505	$ 1,514,004	$ 6,961,065	$ (2,437,396)	$ 26,534,679

SOUND GENERATIONS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

			Senior Centers						
	Agency	Belltown, LLC	Ballard	Shoreline/Lake Forest Park	Sno Valley	West Seattle	Total Senior Centers	Eliminations	Total
PUBLIC SUPPORT									
Government Grants	$ 14,803,666	$ -	$ 315,456	$ 254,250	$ 390,384	$ 310,949	$ 1,271,039	$ -	$ 16,074,705
Contributions of Cash and Other Financial Assets	2,523,217	-	200,881	133,793	293,174	209,726	837,574	-	3,360,791
Contributions of Nonfinancial Assets	988,322	1,567	138,216	1,500	688,125	1,500	829,341	-	1,819,230
Total Public Support	18,315,205	1,567	654,553	389,543	1,371,683	522,175	2,937,954	-	21,254,726
REVENUE AND GAIN									
Program Service Fees and Sales	1,098,407	-	141,149	319,564	409,162	407,807	1,277,682	(301,884)	2,074,205
Rental Income and Other	40,981	226,946	13,544	32,755	5,244	111,081	162,624	-	430,551
Net Investment Return	977,743	-	2,163	3,843	20,273	677	26,956	-	1,004,699
Total Revenue and Gain	2,117,131	226,946	156,856	356,162	434,679	519,565	1,467,262	(301,884)	3,509,455
Total Public Support, Revenue, and Gain	20,432,336	228,513	811,409	745,705	1,806,362	1,041,740	4,405,216	(301,884)	24,764,181
EXPENSES									
Program Services	15,393,395	425,842	847,546	742,996	1,038,298	1,377,521	4,006,361	(250,504)	19,575,094
Management and General	3,202,495	-	-	-	-	-	-	100	3,202,595
Fundraising	942,159	-	-	-	-	-	-	-	942,159
Total Expenses	19,538,049	425,842	847,546	742,996	1,038,298	1,377,521	4,006,361	(250,404)	23,719,848
CHANGE IN NET ASSETS BFORE ALLOCATION AMONG FUNDS	894,287	(197,329)	(36,137)	2,709	768,064	(335,781)	398,855	(51,480)	1,044,333
Allocations Among Funds	159,226	(63,992)	(27,924)	(22,778)	(26,756)	(17,776)	(95,234)	-	-
CHANGE IN NET ASSETS	$ 1,053,513	$ (261,321)	$ (64,061)	$ (20,069)	$ 741,308	$ (353,557)	$ 303,621	$ (51,480)	$ 1,044,333

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*

Board of Directors
Sound Generations and Affiliates
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Sound Generations and Affiliates (collectively, Sound Generations), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued report thereon dated September 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Sound Generations' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sound Generations' internal control. Accordingly, we do not express an opinion on the effectiveness of Sound Generations' 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 Sound Generations' consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Board of Directors
Sound Generations and Affiliates

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether Sound Generations' consolidated 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 consolidated financial statements. 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.*

Sound Generations' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Sound Generations' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Sound Generations' response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 Sound Generations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sound Generations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
September 26, 2024

CliftonLarsonAllen LLP
CLAconnect.com

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

Board of Directors
Sound Generations and Affiliates
Seattle, Washington

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sound Generations' and Affiliates (collectively, Sound Generations) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Sound Generations' major federal programs for the year ended December 31, 2023. Sound Generations' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sound Generations complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sound Generations and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sound Generations' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Sound Generations' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sound Generations' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sound Generations' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Sound Generations' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Sound Generations internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Sound Generations' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Sound Generations' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Sound Generations' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
September 26, 2024

SOUND GENERATIONS AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/ Entitlement Grants Cluster			
Passed Through from City of Seattle Human Services Department			
Community Development Block Grants/ Entitlement Grants	14.218	DA23-1477	$ 490,843
Passed Through from City of Shoreline			
Community Development Block Grants/ Entitlement Grants	14.218	10672	101,073
Community Development Block Grants/ Entitlement Grants	14.218	10215	21,153
Passed Through from City of Bellevue			
Community Development Block Grants/ Entitlement Grants	14.218	2150050	24,726
Community Development Block Grants/ Entitlement Grants	14.218	2350323	29,423
Passed Through from King County			
Community Development Block Grants/ Entitlement Grants	14.218	6360361	30,884
Community Development Block Grants/ Entitlement Grants	14.218	6360363	86,362
Total Department of Housing and Urban Development			784,464
DEPARTMENT OF TRANSPORTATION			
Transit Services Program Cluster			
Passed Through from State of Washington Department of Transportation			
Enhanced Mobility of Seniors and Individuals With Disabilities	20.513	PTD0287	534,669
Enhanced Mobility of Seniors and Individuals With Disabilities	20.513	PTD0725	569,612
Passed Through from King County Department of Transportation			
Enhanced Mobility of Seniors and Individuals With Disabilities	20.513	1074-19-JAS	750,000
Total Services Program Cluster			1,854,281

See accompanying Notes to Schedule of Expenditures of Federal Awards

SOUND GENERATIONS AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION (Continued)			
Transit Services Program Cluster (Continued)			
Passed Through from Community Transportation Association of America			
Technical Assistance and Workforce Development	20.531	377920	$ 75,000
Total Department of Transportation			1,929,281
DEPARTMENT OF THE TREASURY			
Passed Through from King County Department of Community and Human Services			
Coronavirus State and Local Fiscal Recovery Funds	21.027	6207031	67,985
Passed Through from King County			
Coronavirus State and Local Fiscal Recovery Funds	21.027	6277465	14,068
Coronavirus State and Local Fiscal Recovery Funds	21.027	6277464	633
Total Department of the Treasury			82,686
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through from City of Seattle Human Services Department			
National Family Caregiver Support, Title III, Part E	93.052	DA23-1874	204,868
Total National Family Caregiver Support, Title III, Part E			204,868

See accompanying Notes to Schedule of Expenditures of Federal Awards

SOUND GENERATIONS AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
Aging Cluster			
Passed Through from City of Seattle Human Services Department			
Nutrition Services Incentive Program	93.053	DA23-1109	$ 69,793
Nutrition Services Incentive Program	93.053	DA23-1176	20,710
Special Program for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	DA23-1818	314,443
Special Program for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	DA23-1874	92,518
Special Program for the Aging, Title III, Part C, Nutrition Services	93.045	DA23-1109	922,097
Special Program for the Aging, Title III, Part C, Nutrition Services	93.045	DA22-1176	1,103,756
Total Aging Cluster			2,523,317
Passed Through from National Council on Aging			
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	None	70,727
Medicaid Cluster			
Passed Through from City of Seattle Human Services Department			
Medical Assistance Program	93.778	DA23-1874	52,798
Total Medicaid Cluster			52,798
Passed Through from University of Washington			
Nursing Research	93.361	BPO33784	4,385
Aging Research	93.866	BPO42362	23,567
Passed Through from Special Olympics, Inc.			
Disabilities Prevention	93.184	2023-3683	42,348
Passed Through from Washington State Department of Health			
Assistance Programs for Chronic Disease Prevention and Control	93.945	CBO023933	40,127
Total Department of Health and Human Services			2,962,137
Total Expenditures of Federal Awards			$ 5,758,568

See accompanying Notes to Schedule of Expenditures of Federal Awards

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Sound Generations and Affiliates (Sound Generations) under programs of the federal government for the year ended December 31, 2023. The information in the 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 operations of Sound Generations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sound Generations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual 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.

Pass-through entity identifying numbers are presented where available. Sound Generations had no subrecipients.

NOTE 3 INDIRECT COST RATE

Sound Generations has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SOUND GENERATIONS AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? __x__ yes _____ no
   - Significant deficiency(ies) identified? _____ yes __x__ none reported

3. Noncompliance material to financial statements noted? _____ yes __x__ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? _____ yes __x__ no
   - Significant deficiency(ies) identified? __x__ yes _____ none reported

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

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __x__ yes _____ no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.044, 93.045, 93.053	Aging Cluster
14.218	Community Development Block Grants / Entitlement Grants

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

Auditee qualified as low-risk auditee? _____ yes __x__ no

Section II – Financial Statement Findings

2023 – 001

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: During the current year audit, it was also noted that some errors in the consolidated financial statements related to property and equipment, investment in entity, accounts payable and other accrued expenses, restricted contributions, contribution of nonfinancial assets, expenses, and net assets. The effect of auditors proposed adjustments to correct the errors was to increase total assets by $14,128, increase total liabilities by $250,526, decrease total net assets by $164,356, increase total public support, revenue, and gain by $390,546, and increase total expenses by $462,588. Additionally, Sound Generations was not aware of the need to make required consolidating entries to eliminate the intercompany capital contribution transactions.

A total of $237,204 was reclassified from unrestricted contributions to restricted contributions for the Meals on Wheels program. The effect of auditors proposed adjustment increase the change in net assets of the net asset with donor restrictions and decrease the change in net assets of the net asset without donor restrictions by $237,204 at December 31, 2023.

Criteria or specific requirement: Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements in accordance with the accrual basis of accounting that are free from material misstatements, whether due to fraud or error.

Effect: Consolidated financial statements could be potentially overstated or understated.

Cause: Sound Generations' current policies and procedures do not include adequate reconciliation of its activities.

Repeat Finding: Yes (2022-002).

Recommendation: We recommend Sound Generations reviews and updates its accounting policies and procedures and ensure accounts to be reconciled and reviewed by appropriate personnel in a timely manner and any intercompany activity is eliminated upon consolidation.

Views of responsible officials and planned corrective actions: Please see the attached Management's Corrective Action Plan.

Section III – Findings and Questioned Costs – Major Federal Programs

2023 – 002

Type of Finding: Significant Deficiency in Internal Control over Compliance – Reporting

Federal Agency: U.S. Department of Health and Human Services
Federal Program Name: Aging Cluster
Assistance Listing Number: 93.044 / 93.045 / 93.053
Federal Award Identification Number and Year: DA23-1109-2023
Pass-Through Agency: City of Seattle
Pass-Through Number(s): DA23-1109
Award Period: January 1, 2023 through December 31, 2023

Criteria or specific requirement: 2 CFR 200.303(a) states that a non-Federal entity must "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Condition: During testing of reporting, it was noted that, for one sample, documentation was not retained of approval of financial reporting.

Questioned costs: None

Context: A sample of 9 financial reports was made from a population of 54 total reports. Of the 9 sampled, 1 was missing evidence of authorized personnel review and approval.

Cause: In this one instance, verbal approval was given rather than via emailed approval.

Effect: Without adequate documentation and controls in place to ensure costs are reasonable and intended for the program charged, Sound Generations could incorrectly charge expenditures to the federal program, report fraudulent expenditures, or not request appropriate reimbursement that Sound Generations is entitled to under the terms of the grant.

Repeat Finding: No.

Recommendation: CLA recommends that documentation is retained as proof of authorized personnel review.

Views of responsible officials: Please see the attached Management’s Corrective Action Plan.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 003

Type of Finding: Significant Deficiency in Internal Control over Compliance – Activities Allowed or Unallowed, Allowable Costs / Cost Principles

Federal Agency: U.S. Department of Health and Human Services
Federal Program Name: Aging Cluster
Assistance Listing Number: 93.044 / 93.045 / 93.053
Federal Award Identification Number and Year: DA23-1109-2023, DA23-1176-2023
Pass-Through Agency: City of Seattle
Pass-Through Number(s): DA23-1109, DA23-1176
Award Period: January 1, 2023 through December 31, 2023

Criteria or specific requirement: 2 CFR 200.303(a) states that a non-Federal entity must "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Condition: During testing of payroll, it was noted that three employee's wages had been misallocated between contracts. These misallocations occurred due to clerical errors and inadequate monitoring and review of the allocation process.

Questioned costs: None

Context: A sample of 60 payroll samples were made from a population of over 250 individual employee paychecks. Of the 60 sampled, three samples had wages misallocated. The first was misallocated between the Community Dining and Meals on Wheels contracts. The second had misallocations between two funding sources under the Meals on Wheels contract. The third had misallocations between the Meals on Wheels contract and another funder.

Cause: In one instance, a manual intervening calculation needed to be made to a normally automated process due to an illness at the executive level during time study updates. As a result of a clerical error, the allocations between the contracts were accidentally switched and the misallocation was not caught during review. In the remaining two instances, a formula error resulted in a misallocation of wages between funding sources.

Effect: The misallocation of expenses could impact the accuracy of financial reporting for the major program and could result in noncompliance with federal regulations.

Repeat Finding: No.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 003 (Continued)

Recommendation: CLA recommends that Sound Generations emphasize the importance of its procedures for monitoring and reviewing the allocation of wages between contracts and provide training to the individuals responsible for the allocation of expenses.

Views of responsible officials: Please see the attached Management's Corrective Action Plan.

Senior Services is now Sound Generations

Sound Generations and Affiliates
Update to Management's Corrective Action Plan
Year Ended December 31, 2022

Department of Health and Human Services
Department of The Treasury

Sound Generations respectfully submits the following summary schedule of prior audit findings for the year ended December 31, 2023.

Audit period: January 1, 2023 through December 31, 2023

FINDINGS—FINANCIAL STATEMENT AUDIT

2022 – 001 Material Weakness in Internal Control Over Financial Reporting

Condition: It was noted that Sound Generations' Schedule of Expenditures of Federal Awards (SEFA) presented for audit was not complete and accurate, resulting in multiple changes to the SEFA and delays in obtaining sufficient audit evidence to support the contracts and the amounts on the SEFA. As a result, the SEFA was overstated by $2,444,503. Sound Generations has since made revisions and the total federal expenditures and Assistance Listing Numbers (AL #) are properly presented on the SEFA at December 31, 2022.

Status: Appropriate corrective action has been taken. Sound Generations' now requests confirmations of expenditures prior to submitting the SEFA to the auditors. Total federal expenditures and Assisted Listing Numbers (ALNs) are properly presented on the SEFA at December 31, 2023.

Responsible Official: Carlos Rojas, Chief Financial Officer; Christina Hannan, Controller

Anticipated Completion Date: December 31, 2023

2022 – 002 Material Weakness in Internal Control over Financial Reporting

Condition: During the current year audit, it was also noted that several errors in the consolidated statements related to investments, accounts payable, net assets, revenue, and expenses. The effect of the auditor's proposed adjustments to correct the errors was to decrease total assets by $55,591, increase total liabilities by $71,463, decrease total net assets by $55,591, decrease total revenue by $490,464, and decrease total expenses by $419,001.

Status: Appropriate corrective action has been taken. Due to the delay of the previous audit, we had some continued delay in reconciliations in our activities. We continue to work on cross training and review of our team and system capacity to maintain appropriate internal controls. At this time, reconciliations are performed in a timely manner and reviewed per our policies.

Responsible Official: Carlos Rojas, Chief Financial Officer; Christina Hannan, Controller

Anticipated Completion Date: December 31, 2024.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2022 – 003 Significant Deficiency in Internal Control over Compliance – Allowable Costs/Cost Principles; Other Matter – Non-compliance with Allowable Costs/Cost Principles Compliance Requirements

Condition: CLA noted one sample in which federal funds were expended on unallowable costs.

Status: Appropriate corrective action has been taken. Sound Generations has administered training to all Authorized Purchasers on Unallowable costs and expenditures. Sound Generations has created additional general ledger accounts specific to unallowable costs, and created reporting schedules that exclude those accounts. Reports and reimbursement requests do not include GL accounts specific to unallowable costs.

Responsible Official: Carlos Rojas, Chief Financial Officer; Christina Hannan, Controller.

Completion: March 31, 2024.

If the Department of the Transportation has questions regarding this schedule, please contact the following:

Carlos Rojas
Chief Financial Officer
Sound Generations
(206) 448-3110

Senior Services is now Sound Generations

Sound Generations and Affiliates
Management's Corrective Action Plan
Year Ended December 31, 2023

Department of Health and Human Services
Department of The Treasury
Department of Community Development Block Grant Programs

Sound Generations respectfully submits the following corrective action plan for the year ended December 31, 2023.

Audit period: January 1, 2023 through December 31, 2023

2023 – 001

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: During the current year audit, it was also noted that some errors in the consolidated financial statements related to property and equipment, investment in entity, accounts payable and other accrued expenses, restricted contributions, contribution of nonfinancial assets, expenses, and net assets. The effect of auditors proposed adjustments to correct the errors was to increase total assets by $14,128, increase total liabilities by $250,526, decrease total net assets by $164,356, increase total public support, revenue, and gain by $390,546, and increase total expenses by $462,588. Additionally, Sound Generations was not aware of the need to make required consolidating entries to eliminate the intercompany capital contribution transactions.

A prior period adjustment of $589,092 is proposed related to contribution of in-kind vehicles, vehicle maintenance and fuel from a government agency in 2022. This prior period adjustment has no impact to the 2022 change in net assets.

A total of $237,204 was reclassified from unrestricted contributions to restricted contributions for the Meals on Wheels program. The effect of auditors proposed adjustment increases the change in net assets of the net asset with donor restrictions and decrease the change in net assets of the net asset without donor restrictions by $237,204 at December 31, 2023.

Criteria or specific requirement: Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements in accordance with the accrual basis of accounting that are free from material misstatements, whether due to fraud or error.

Effect: Consolidated financial statements could be potentially overstated or understated.

Cause: Sound Generations' current policies and procedures do not include adequate reconciliation of its activities.

Repeat Finding: Yes (2022-002).

Recommendation: We recommend Sound Generations reviews and updates its accounting policies and procedures and ensure accounts to be reconciled and reviewed by appropriate personnel in a timely manner and any intercompany activity is eliminated upon consolidation.

Views of responsible officials and planned corrective actions: Sound Generations Agrees with the finding. Sound Generations is performing corrections and improvements to our policies and procedures to ensure that financials are reviewed in a timely manner and presented more accurately. The SnoValley Housing Project is completed, we don't expect unknown loan documents.

Responsible Official: Carlos Rojas, Chief Financial Officer; Christina Hannan, Controller, Anticipated Completion Date: December 31, 2024

2023 – 002

Type of Finding: Significant Deficiency in Internal Control over Compliance - Reporting

Federal Agency: U.S. Department of Health and Human Services
Federal Program Name: Aging Cluster
Assistance Listing Number; 93.044 / 93.045 / 93.053
Federal Award Identification Number and Year: DA23-1109-2023
Pass-Through Agency: City of Seattle
Pass-Through Number(s): DA23-1109
Award Period: January 1, 2023 through December 31, 2023

Criteria or specific requirement: 2 CFR 200.303(a) states that a non-Federal entity must "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring the Organization of the Treadway Commission (COSO)."

Condition: During testing of reporting, it was noted that, for one sample, documentation was not retained of approval of financial reporting.

Questioned Costs: None

Context: A sample of 9 financial reports was made from a population of 54 total reports. Of the 9 sampled, 1 was missing evidence of authorized personnel review and approval.

Cause: In this one instance, verbal approval was given rather than emailed approval.

Effect: Without adequate documentation and controls in place to ensure costs are reasonable and intended for the program charged, Sound Generations could incorrectly charge expenditures to the federal program, report fraudulent expenditures, or not request appropriate reimbursement that Sound Generations is entitled to under the terms of the grant.

Repeat Finding: No.

Recommendation: CLA recommends that documentation is retained as proof of authorized personnel review.

Views of responsible officials and planned corrective actions: Sound Generations agrees with the finding. Sound Generations has revised its approval process to include digital signatures with time stamps by authorized personnel on all documentation rather than emailed approvals.

Responsible Official: Carlos Rojas, Chief Financial Officer; Christina Hannan, Controller

Anticipated Completion Date: March 31, 2024

<u>2023 – 003</u>

Type of Finding: Significant Deficiency in Internal Control over Compliance – Activities Allowed or Unallowed, Allowable Costs / Cost Principles

Federal Agency: U.S. Department of Health and Human Services
Federal Program Name: Aging Cluster
Assistance Listing Number; 93.044 / 93.045 / 93.053
Federal Award Identification Number and Year: DA23-1109-2023, DA23-1176-2023
Pass-Through Agency: City of Seattle
Pass-Through Number(s): DA23-1109, DA23-1176
Award Period: January 1, 2023 through December 31, 2023

Criteria or specific requirement: 2 CFR 200.303(a) states that a non-Federal entity must "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring the Organization of the Treadway Commission (COSO)."

Condition: During testing of payroll, it was noted that three employee's wages had been misallocated between contracts. These misallocations occurred due to clerical errors and inadequate monitoring and review of the allocation process.

Questioned Costs: None

Context: A sample of 60 payroll samples were made from a population of over 260 individual employee paychecks. Of the 60 sampled, three samples had wages misallocated. The first was misallocated between the Community Dining and Meals on Wheels contracts. The second had misallocations between two funding sources under the Meals on Wheels contract. The third had misallocations between the Meals on Wheels contract and another funder.

Cause: In one instance, a manual intervening calculation needed to be made to a normally automated process due to an illness at the executive level during time study updates. As a result of a clerical error, the allocations between the contracts were accidentally switched and the misallocation was not caught during review. In the remaining two instances, a formula error resulted in a misallocation of wages between funding sources.

Effect: The misallocation of expenses could impact on the accuracy of financial reporting for the major program and could result in noncompliance with federal regulations.

Repeat Finding: No.

Recommendation: CLA recommends that Sound Generations emphasize the importance of its procedures for monitoring and reviewing the allocation of wages between contracts and provide training to the individuals responsible for the allocation of expenses.

Views of responsible officials and planned corrective actions: Sound Generations Agrees with the finding. Sound Generations has reviewed and revised its procedures to include reviews at intermediary steps as well as streamlined its automation to allow for less opportunity for manual inputs and clerical errors.

Responsible Official: Carlos Rojas, Chief Financial Officer; Christina Hannan, Controller

Anticipated Completion Date: June 30, 2024

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