



Sound Generations and Affiliates

Consolidated Financial Statements and Supplemental Information for the Years Ended December 31, 2020 and 2019, and Schedule of Expenditures of Federal Awards and Reports Required by *Government Auditing Standards* and Required by the Uniform Guidance for the Year Ended December 31, 2020

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Sound Generations and Affiliates

Consolidated Financial Statements and Supplemental Information for the
Years Ended December 31, 2020 and 2019

And

Schedule of Expenditures of Federal Awards and Reports Required by
Government Auditing Standards and Required by the Uniform Guidance
for the Year Ended December 31, 2020

Sound Generations and Affiliates

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Independent Auditor's Report

To the Board of Directors
Sound Generations and Affiliates
Seattle, Washington

Opinion

We have audited the consolidated financial statements of Sound Generations and Affiliates (the Entity), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sound Generations and Affiliates as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 the Entity's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.



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Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities 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

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derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such 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 auditing standards generally accepted in the United States of America. 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 June 28, 2021, on our consideration of Sound Generations and Affiliates' 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 and Affiliates' 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 and Affiliates' internal control over financial reporting and compliance.

BDO USA, LLP

June 28, 2021

Consolidated Financial Statements

Sound Generations and Affiliates
Consolidated Statements of Financial Position

<i>December 31,</i>	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,696,529	\$ 2,718,291
Government grants and contracts receivable	2,406,846	1,766,135
Accounts and contributions receivable	141,477	237,430
Northshore note receivable	50,000	50,000
Inventory	36,918	40,306
Prepaid expenses	133,645	91,273
Total Current Assets	9,465,415	4,903,435
Restricted cash	231,928	223,133
Northshore note receivable, net of current portion	-	50,000
Unemployment compensation trust deposits	151,777	157,660
Investments	336,706	282,351
Endowment investments	3,930,132	3,545,591
Property and equipment, net	6,914,000	7,374,810
Total Assets	\$ 21,029,958	\$ 16,536,980
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and other accrued expenses	\$ 385,439	\$ 389,569
Accrued payroll	1,179,902	769,100
Long-term debt, current portion	129,720	151,900
Total Current Liabilities	1,695,061	1,310,569
Long-term debt, net	7,282,776	5,489,427
Total Liabilities	8,977,837	6,799,996
Net Assets		
Without donor restrictions	7,568,536	6,083,243
With donor restrictions	4,483,585	3,653,741
Total Net Assets	12,052,121	9,736,984
Total Liabilities and Net Assets	\$ 21,029,958	\$ 16,536,980

See accompanying notes to consolidated financial statements.

Sound Generations and Affiliates

Consolidated Statements of Activities

Year Ended December 31,	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Government grants	\$ 13,217,950	\$ 734,139	\$ 13,952,089	\$ 10,401,621	\$ -	\$ 10,401,621
Contributions	4,259,796	287,887	4,547,683	3,049,113	110,178	3,159,291
Bequests	138,725		138,725	22,250	-	22,250
In-kind contributions	551,799		551,799	737,505	-	737,505
Net assets released from restriction	510,383	(510,383)	-	229,394	(229,394)	-
Total Public Support	18,678,653	511,643	19,190,296	14,439,883	(119,216)	14,320,667
Revenue						
Program service fees and sales	828,133	-	828,133	1,803,481	-	1,803,481
Rental income and other	359,785	-	359,785	531,388	-	531,388
Investment income	31,849	368,379	400,228	22,264	407,122	429,386
Total Revenue	1,219,767	368,379	1,588,146	2,357,133	407,122	2,764,255
Total Public Support and Revenue	19,898,420	880,022	20,778,442	16,797,016	287,906	17,084,922
Expenses						
Program services	14,869,315	-	14,869,315	13,938,124	-	13,938,124
Management and general	2,517,972	-	2,517,972	2,216,781	-	2,216,781
Fundraising	808,336	-	808,336	909,455	-	909,455
Total Expenses	18,195,623	-	18,195,623	17,064,360	-	17,064,360
Change in Net Assets	1,702,797	880,022	2,582,819	(267,344)	287,906	20,562
Net Assets, beginning of year	6,083,243	3,653,741	9,736,984	7,441,345	2,275,077	9,716,422
Transfer to recover underwater endowment				(1,090,758)	1,090,758	-
Transfer of Central Area Senior Center Net Assets	(217,504)	(50,178)	(267,682)	-	-	-
Net Assets, end of year	\$ 7,568,536	\$ 4,483,585	\$ 12,052,121	\$ 6,083,243	\$ 3,653,741	\$ 9,736,984

See accompanying notes to consolidated financial statements.

Sound Generations and Affiliates

Consolidated Statement of Functional Expenses

<i>Year Ended December 31, 2020</i>	Senior Information and Assistance	Transportation Services	Nutrition Projects	Health & Wellness	Senior Centers	Belltown LLC	Total Program Services	Management and General	Fundraising	Total All Services
Salaries and wages	\$ 1,415,245	\$ 2,439,564	\$ 1,352,954	\$ 460,121	\$ 1,346,033	\$ 31,337	\$ 7,045,254	\$ 1,553,843	\$ 336,249	\$ 8,935,346
Employee benefits	200,415	371,250	199,762	62,963	194,946	4,643	1,033,979	212,694	44,958	1,291,631
Payroll taxes	182,775	288,810	168,005	50,281	153,095	6,769	849,735	161,715	36,733	1,048,183
Total Payroll Expenses	1,798,435	3,099,624	1,720,721	573,365	1,694,074	42,749	8,928,968	1,928,252	417,940	11,275,160
Program supplies	111,775	20,386	2,580,898	16,585	116,438	159	2,846,241	44,753	60,863	2,951,857
Occupancy	222,338	206,015	148,440	47,011	225,875	179,544	1,029,223	138,686	31,141	1,199,050
Professional fees and instructors	89,086	26,612	64,139	47,496	222,541	39	449,913	277,785	53,215	780,913
In-kind rent and other	5,858	36,631	271,266	-	151,791	-	465,546	-	86,561	552,107
Client and other transportation	236,412	83,171	26,862	4,042	10,371	-	360,858	3,970	4,868	369,696
Printing and publications	1,261	20,960	5,948	2,696	32,684	-	63,549	65,407	104,136	233,092
Insurance	7,236	102,528	18,147	-	39,905	15,688	183,504	6,164	390	190,058
Interest	129	-	-	-	181,090	2,781	184,000	-	-	184,000
Telephone	20,811	48,553	32,325	4,313	21,244	1,645	128,891	13,997	2,312	145,200
Other	6,789	14,458	13,708	19,789	33,593	650	88,987	9,005	1,754	99,746
Bank fees	1,421	255	7,138	1,207	56,086	-	66,107	12,616	9,797	88,520
Postage and shipping	8,027	3,920	2,328	176	11,177	-	25,628	2,366	28,913	56,907
Taxes	637	-	3,618	247	31,049	503	36,054	5,238	-	41,292
Conferences and conventions	2,125	1,927	264	262	7,268	-	11,846	9,733	6,446	28,025
Total Expenses	\$ 2,512,340	\$ 3,665,040	\$ 4,895,802	\$ 717,189	\$ 2,835,186	\$ 243,758	\$ 14,869,315	\$ 2,517,972	\$ 808,336	\$ 18,195,623

See accompanying notes to consolidated financial statements.

Sound Generations and Affiliates

Consolidated Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Senior Information and Assistance	Transportation Services	Nutrition Projects	Health & Wellness	Senior Centers	Belltown LLC	Total Program Services	Management and General	Fundraising	Total All Services
Salaries and wages	\$ 1,021,900	\$ 2,517,375	\$ 1,169,663	\$ 418,605	\$ 1,446,803	\$ 35,520	\$ 6,609,866	\$ 1,275,113	\$ 337,390	\$ 8,222,369
Employee benefits	166,498	420,592	189,045	61,460	227,497	5,179	1,070,271	183,923	51,083	1,305,277
Payroll taxes	113,144	237,036	119,871	35,349	131,508	6,905	643,813	102,394	27,485	773,692
Total Payroll Expenses	1,301,542	3,175,003	1,478,579	515,414	1,805,808	47,604	8,323,950	1,561,430	415,958	10,301,338
Program supplies	78,268	46,213	1,716,808	16,856	239,986	3,787	2,101,918	54,114	83,997	2,240,029
Occupancy	192,674	162,815	174,535	43,294	357,765	169,679	1,100,762	92,652	27,514	1,220,928
Professional fees and instructors	55,480	44,239	59,539	173,212	326,857	15,874	675,201	284,044	58,727	1,017,972
In-kind rent and other	-	14,564	285,137	-	316,344	-	616,045	-	121,460	737,505
Client and other transportation	37,299	137,429	50,682	18,524	31,070	-	275,004	3,328	7,309	285,641
Printing and publications	1,977	4,818	3,988	9,219	60,550	17	80,569	23,111	100,144	203,824
Insurance	17,116	105,864	15,375	2,164	45,296	16,238	202,053	13,014	2,197	217,264
Interest	20,465	49,924	48,351	10,059	2,640	6,820	138,259	22,234	11,276	171,769
Telephone	14,477	33,612	29,745	4,104	24,458	1,502	107,898	13,159	2,316	123,373
Other	3,682	12,814	5,426	94	83,596	22,692	128,304	7,739	1,755	137,798
Bank fees	1,398	24	1,878	2	53,586	4,756	61,644	108,111	13,654	183,409
Postage and shipping	6,462	6,781	2,462	56	14,019	-	29,780	5,166	41,981	76,927
Taxes	339	598	3,295	5,688	46,329	465	56,714	6,817	-	63,531
Conferences and conventions	2,423	7,454	3,117	4,874	22,072	83	40,023	21,862	21,167	83,052
Total Expenses	\$ 1,733,602	\$ 3,802,152	\$ 3,878,917	\$ 803,560	\$ 3,430,376	\$ 289,517	\$ 13,938,124	\$ 2,216,781	\$ 909,455	\$ 17,064,360

See accompanying notes to consolidated financial statements.

Sound Generations and Affiliates

Consolidated Statements of Cash Flows

Year Ended December 31,	2020	2019
Cash Flows from Operating Activities		
Cash received from		
Government agencies	\$ 13,311,378	\$ 10,132,098
Donors	4,782,361	3,176,259
Customers of program service fees and sales	828,133	1,803,481
Tenants and other	359,785	531,388
Interest and dividends	86,071	109,730
Cash paid for		
Personnel	(8,518,661)	(8,205,308)
Services and supplies	(7,904,826)	(7,366,812)
Interest	(145,200)	(171,769)
Net Cash Flows from Operating Activities	2,799,041	9,067
Cash Flows for Investing Activities		
Purchase of property and equipment	(411,806)	(488,334)
Purchase of investments	(124,739)	(1,141,366)
Transfer of Central Area Center cash	(96,632)	-
Collection of notes receivable, net	50,000	50,000
Net Cash Flows for Investing Activities	(583,177)	(1,579,700)
Cash Flows from Financing Activities		
Repayments on line of credit, net of advances	-	(195,264)
Proceeds from issuance of long-term debt	1,891,800	4,800,000
Principal payments on long-term debt	(120,631)	(1,678,202)
Net Cash Flows from Financing Activities	1,771,169	2,926,534
Net Change in Cash and Cash Equivalents	3,987,033	1,355,901
Cash and Cash Equivalents, beginning of year	2,941,424	1,585,523
Cash and Cash Equivalents, end of year	\$ 6,928,457	\$ 2,941,424
Cash and Cash Equivalents, end of year, as presented on the Statements of Financial Position		
Cash and cash equivalents	\$ 6,696,529	\$ 2,718,291
Restricted cash	231,928	223,133
Cash and Cash Equivalents, end of year, as presented	\$ 6,928,457	\$ 2,941,424

See accompanying notes to consolidated financial statements.

Sound Generations and Affiliates

Consolidated Statements of Cash Flows

<i>Year Ended December 31,</i>	2020	2019
Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities		
Change in net assets	\$ 2,582,819	\$ 20,562
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	530,516	512,669
Loss on disposal of fixed assets	171,050	-
Realized and unrealized gains on investments	(314,157)	(319,656)
Changes in operating assets and liabilities		
Government grants and contracts receivable	(640,711)	(269,523)
Accounts and contributions receivable	95,953	(5,282)
Inventory	3,388	(5,180)
Prepaid expenses	(42,372)	(8,725)
Unemployment compensation trust deposits	5,883	(106,508)
Accounts payable and other accrued expenses	(4,130)	67,141
Accrued payroll	410,802	123,569
Net Cash Flows from Operating Activities	\$ 2,799,041	\$ 9,067

See accompanying notes to consolidated financial statements.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

1. Organization and 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 both 2020 and 2019. 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

Effective January 1, 2020 (the Transfer Date), the Central Area Senior Center (Central) ended its affiliation with Sound Generations. Central's financial position, changes in net assets, and cash flows have been included in the accompanying consolidated financial statements through December 31, 2019. On January 1, 2020, the following assets and liabilities were recognized as being transferred out of Sound Generations. The transfer is presented separately on the consolidated statement of activities as a reduction in net assets for the year ended December 31, 2020:

Cash and cash equivalents	\$	165,632
Property and equipment, net		135,800
Support of Center's Independence		35,250
Cash payment to Sound Generations in settlement of inter-entity payables		(69,000)
Transfer of Central Area Senior Center Net Assets	\$	267,682

Programs Provided by Sound Generations

Senior Information and Assistance

Information and Assistance - Information and Assistance 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.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

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.

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 & 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.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

Crisis Prevention

Geriatric Regional Assessment Team (GRAT) 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.

Principles of Consolidation

The financial statements consolidate the assets, liabilities, and activities of Sound Generations, its affiliated senior centers, 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 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 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.

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Sound Generations and Affiliates

Notes to Consolidated Financial Statements

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 are as follows:

<i>December 31,</i>	2020	2019
Net Assets with Purpose or Time Restrictions		
Information and Assistance	\$ 314,000	\$ -
Nutrition Program	387,634	50,000
Transportation	190,138	39,296
Health & Wellness	68,765	9,167
Senior Centers	20,000	-
Central Area Center - vehicles	-	50,178
Time restrictions	-	9,000
Total Net Assets with Purpose or Time Restrictions	980,537	157,641
Net Assets with Endowment Restrictions		
General endowment with perpetual restrictions	2,749,938	2,749,938
Senior center endowment with perpetual restrictions	5,000	5,000
Senior Rights - Term Endowment	514,043	442,788
Unappropriated earnings - general endowment	234,067	298,374
Total Net Assets with Endowment Restrictions	3,503,048	3,496,100
Total	\$ 4,483,585	\$ 3,653,741

Senior Rights - Term Endowment represents donor-restricted net assets and consist of funds held within the endowment (see Note 5) to be used based on the donor's original intent.

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.

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.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

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.

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

<i>December 31,</i>	Belltown, LLC	
	2020	2019
Replacement reserves	\$ 157,098	\$ 147,581
Operating reserves	61,707	61,707
Tenant security deposits	13,123	13,845
Total	\$ 231,928	\$ 223,133

Receivables

Receivables represent the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable account. Management determined that no allowance against accounts and contributions receivable was necessary at December 31, 2020 or 2019. The majority of the outstanding receivables are due from various federal, state, and local governmental entities and the balance is considered fully collectible.

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.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

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 \$151,777 and \$157,660 at December 31, 2020 and 2019, respectively. Total claims incurred in 2020 and 2019 were \$48,818 and \$34,192, respectively.

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 and equity securities at their fair values in the consolidated statements 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.

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Sound Generations and Affiliates
Notes to Consolidated Financial Statements

Investments consist of the following:

<i>December 31,</i>	2020	2019
Money Market Funds	\$ 370,790	\$ 294,659
Certificates of Deposit	-	33,013
Fixed Income Mutual Funds		
Intermediate-term bond	943,633	855,372
High-yield bond	239,014	240,331
Foreign bond	68,504	66,199
Equity Mutual Funds		
Domestic large cap	784,565	675,572
Domestic small cap	634,657	539,986
Foreign large blend	377,680	352,480
Domestic mid cap	370,026	331,370
Domestic real estate	198,736	185,580
Emerging markets	200,440	177,880
Global real estate	78,793	75,500
Total Investments	\$ 4,266,838	\$ 3,827,942

Investments are presented in the consolidated statements of financial position as follows:

<i>December 31,</i>	2020	2019
Investments	\$ 336,706	\$ 282,351
Endowment investments	3,930,132	3,545,591
Total	\$ 4,266,838	\$ 3,827,942

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

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.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$530,516 and \$512,669 for the years ended December 31, 2020 and 2019, respectively, and is included with occupancy on the 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. Property and equipment consist of the following at December 31:

	Estimated Useful Lives	2020	2019
Buildings	20-30 years	\$ 11,738,964	\$ 11,738,964
Furniture and equipment	5-10 years	913,296	765,516
Leasehold improvements	5-10 years	245,265	443,802
Vehicles	5 years	421,718	435,021
		13,319,243	13,383,303
Less: Accumulated depreciation and amortization		(7,649,983)	(7,285,580)
		5,669,260	6,097,723
Land		1,244,740	1,244,740
Construction in progress		-	32,347
		\$ 6,914,000	\$ 7,374,810

Impairment of Long-Lived Assets

Financial Accounting Standards Board Accounting Standards Codification 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 2020 and 2019.

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 years ended December 31, 2020 and 2019, no such adjustments were made.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

Contributions (including those received through special events) are recorded when unconditionally pledged as without donor restrictions and with donor restrictions, depending on the existence and/or nature of any donor restrictions. 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, 2020:

Transportation	\$ 2,567,183
Health & Wellness	365,768
Senior Information & Assistance	83,901
	<hr/>
	\$ 3,016,852

Program service fees are recognized as revenue when the service has been provided to the customer. Program sales (primarily meals and sales at senior center thrift shops) are recognized at the point of sale when the goods have transferred to the customer. Sound Generations recognizes program service fee and sales revenue based on published prices at the point of sale when the services or goods (the sole performance obligation) are provided to the customer. Generally, all services provided occur over a period of less than one day.

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

Sound Generations receives regular monthly income from tenants with operating leases at Belltown, LLC. Revenue is recognized 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 rental income from tenants renting temporary space associated with the senior center buildings. Rental income is recognized as revenue when the tenant occupies the space.

In-Kind Contributions

Sound Generations occupies certain premises at either reduced rates or no charge. The fair value of the space occupied at below-market rates is reflected as an in-kind contribution and expense in the consolidated statements of activities and functional expenses.

In accordance with GAAP, the consolidated financial statements reflect only donated services requiring specific expertise that Sound Generations would otherwise need to purchase. However, Sound Generations receives a significant amount of volunteer services from individuals and businesses, which are not reflected in the accompanying consolidated financial statements.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities 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.

Concentrations

At December 31, 2020 and 2019, 69% and 48% of government grants and contracts receivable was from two government agencies, respectively. Management is aware of the related vulnerability and believes the balances are fully collectible. For the years ended December 31, 2020 and 2019, 55% and 66%, respectively, of Sound Generations total public support and revenue were from two government agencies, respectively.

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 2017 forward. For the years ended December 31, 2020 and 2019, there was no interest or penalties recorded in the consolidated statements of activities and changes in net assets related to uncertain tax positions.

Reclassifications

Certain prior-year balances have been reclassified to conform to the current year presentation.

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In response to the COVID-19 outbreak, Sound Generations was forced to cancel many in-person programs for the safety of participants and volunteers. The senior centers continued to serve and engage seniors through phone calls and Facebook groups, and provided meal, grocery, and medication delivery. Sound Generations encouraged all employees who are able to perform their job remotely to work from home.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Sound Generation's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, Sound Generations is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2021.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. In order to ensure the continued financial stability of Sound Generations, on April 23, 2020, Sound Generations issued a note payable to a bank under the PPP offered by the SBA totaling \$1,891,800. The note payable incurs interest at 1.0% and is unsecured. The principal and interest of the note is forgivable if the proceeds are spent on qualified costs during the 24-week period following the date the note is issued. Qualified costs are considered as 60% of the loan amount on payroll costs, and 40% on non-payroll costs including rent and utilities. Interest payments are deferred for the first ten months of the note period and are forgivable consistent with the principal forgiveness terms. Should any portion of the principal of the note not meet the forgiveness provisions, the principal and interest will be repayable monthly over a 48-month amortization period starting April 23, 2021, through maturity of April 23, 2025. Subsequent to year-end, the SBA forgave the full balance of the loan, including accrued interest accumulated through the forgiveness date.

On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act, 2021 bill which included additional economic stimulus and COVID-19 related relief including additional PPP funds and expansion of the Employee Retention Credit.

On March 11, 2021, President Biden signed into law the "American Rescue Plan Act of 2021" (the American Rescue Plan), which included additional economic stimulus and tax credits, including the expansion of the Employee Retention Credit.

Sound Generations continues to examine the impact that the CARES Act, Consolidated Appropriations Act, and American Rescue Plan may have on its business.

Subsequent Events

Sound Generations has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was June 28, 2021.

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

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 equivalents, certificates of deposit, 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, 2020 and 2019, 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:

<i>December 31,</i>	2020	2019
Financial Assets at Year-End		
Cash and cash equivalents (including restricted cash)	\$ 6,928,457	\$ 2,941,424
Investments	4,266,838	3,827,942
Government grants and contracts receivable	2,406,846	1,766,135
Accounts and contributions receivable	141,477	237,430
Northshore note receivable	50,000	100,000
	13,793,618	8,872,931
Less: Amounts Not Available to Be Used within One Year		
Restricted cash	(231,928)	(223,133)
Investments with endowment restrictions	(3,930,132)	(3,545,591)
Net assets with donor restrictions for particular purposes	(980,537)	(148,641)
Northshore note receivable not collectible within the next year	-	(50,000)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 8,651,021	\$ 4,905,566

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Sound Generations and Affiliates

Notes to Consolidated Financial Statements

3. Long-Term Debt

Long-term debt consists of the following:

<i>December 31,</i>	2020	2019
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 a cost of \$4,922,530 and accumulated depreciation of \$2,672,954 at December 31, 2020), assignment of rents, and generally all other assets. The note maintains certain financial covenants, and Sound Generations was in compliance with these covenants at December 31, 2020.	\$ 3,056,722	\$ 3,129,185
Series A and B revenue bonds issued through the Washington State Housing Finance Commission, with interest at 3.63%, and combined monthly principal and interest repayments ranging from \$8,250 to \$8,429 through maturity of March 2044. Secured by the commercial portion (the first three floors) of the Belltown building (with a cost of \$4,922,530 and accumulated depreciation of \$2,672,954 at December 31, 2020) and assignment of rents.	1,545,732	1,586,745
Paycheck Protection Loan bears interest at 1% per year. The loan was fully forgiven by the SBA subsequent to year-end. See Note 1.	1,891,800	-
Sound Generations Subtotal	6,494,254	4,715,930
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 \$3,234 and \$29,645 available net cash flows at December 31, 2020 and 2019 (included within the current portion of long-term debt), respectively. 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 Project (with a cost of \$3,143,195 and accumulated depreciation of \$1,738,719 at December 31, 2020) and assignment of rents.	647,254	647,254
State of Washington Department of Commerce note, with interest at 1% and annual principal and interest repayments of \$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 cost of \$3,143,195 and accumulated depreciation of \$1,738,719 at December 31, 2020).	270,988	278,143
Belltown Subtotal	918,242	925,397
Total Long-Term Debt	7,412,496	5,641,327
Less: Current portion	(129,720)	(151,900)
	\$ 7,282,776	\$ 5,489,427

Sound Generations and Affiliates
Notes to Consolidated Financial Statements

Principal maturities on all long-term debt are as follows for the years ending December 31:

2021	\$	129,720
2022		2,025,129
2023		138,777
2024		143,959
2025		150,460
Thereafter		4,824,451
Total	\$	7,412,496

Sound Generations classified the PPP loan as non-current debt as the loan was fully forgiven in January 2021 and will not need to be repaid.

4. Lease Commitments

Sound Generations leases its Shoreline/Lake Forest Park Senior Center and warehouse space under noncancelable operating leases expiring on August 31, 2023, and December 31, 2023, respectively. Rent expense under these noncancelable operating leases was \$172,823 and \$174,586, respectively, for the years ended December 31, 2020 and 2019, and is included in occupancy expense.

Future minimum lease payments for operating leases are as follows:

2021	\$	182,602
2022		186,778
2023		176,739
	\$	546,119

5. Endowment

Sound Generations' endowment consists of three 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

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 UPMIFA. In accordance with UPMIFA, 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:

<i>December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds			
Senior Rights - Term Endowment	\$ -	\$ 514,043	\$ 514,043
Senior center endowments	-	5,000	5,000
General endowment	427,084	2,984,005	3,411,089
Total Endowment Net Assets	\$ 427,084	\$ 3,503,048	\$ 3,930,132

<i>December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds			
Senior Rights - Term Endowment	\$ -	\$ 442,788	\$ 442,788
Senior center endowments	-	5,000	5,000
General endowment	49,491	3,048,312	3,097,803
Total Endowment Net Assets	\$ 49,491	\$ 3,496,100	\$ 3,545,591

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Sound Generations and Affiliates

Notes to Consolidated Financial Statements

Changes in endowment net assets are as follows:

<i>Year Ended December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions			Total
		Accumulated Earnings	Term Endowment	Perpetual Donor Restrictions	
Endowment Net Assets, beginning of year	\$ 49,491	\$ 298,374	\$ 442,788	\$ 2,754,938	\$ 3,545,591
Investment return					
Interest and dividends	2,892	28,187	39,305	-	70,384
Realized and unrealized gain	13,270	154,446	146,441	-	314,157
Total investment return	16,162	182,633	185,746	-	384,541
Appropriations for expenditure - Senior					
Rights - Term Endowment	361,431	(246,940)	(114,491)	-	-
Endowment Net Assets, end of year	\$ 427,084	\$ 234,067	\$ 514,043	\$ 2,754,938	\$ 3,930,132

<i>Year Ended December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions			Total
		Accumulated Earnings	Term Endowment	Perpetual Donor Restrictions	
Endowment Net Assets, beginning of year	\$ -	\$ (1,122,446)	\$ 415,219	\$ 2,754,938	\$ 2,047,711
Investment return					
Interest and dividends	-	10,406	77,060	-	87,466
Realized and unrealized gain	-	319,656	-	-	319,656
Total Investment return	-	330,062	77,060	-	407,122
Transfers in	49,491	1,090,758	-	-	1,140,249
Appropriations for expenditure - Senior					
Rights - Term Endowment	-	-	(49,491)	-	(49,491)
Endowment Net Assets, end of year	\$ 49,491	\$ 298,374	\$ 442,788	\$ 2,754,938	\$ 3,545,591

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

Sound Generations and Affiliates

Notes to Consolidated Financial Statements

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.

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 UPMIFA requires Sound Generations to retain as a fund of perpetual duration. As of December 31, 2018, Sound Generations endowment had a deficiency of \$1,122,446. During the year ended December 31, 2019, Sound Generations deposited \$1,090,758 into the endowment account. This deposit, along with gains on the investment account was used to recover the endowment deficit. For the year ended December 31, 2020 there were no endowment funds with deficiencies of this nature.

6. Subsequent Events

Subsequent events have been evaluated through the date these financial statements were available to be issued, which was June 28, 2021.

Supplemental Information

Sound Generations and Affiliates
Consolidating Statements of Financial Position

<i>December 31,</i>	2020					2019				
	Agency	Centers	Belltown, LLC	Eliminations	Total	Agency	Centers	Belltown, LLC	Eliminations	Total
Assets										
Current Assets										
Cash and cash equivalents	\$ 5,304,243	\$ 1,392,286	\$ -	\$ -	\$ 6,696,529	\$ 1,064,795	\$ 1,653,496	\$ -	\$ -	\$ 2,718,291
Government grants and contracts receivable	2,171,641	235,205	-	-	2,406,846	1,626,483	139,652	-	-	1,766,135
Accounts and contributions receivable	131,613	8,431	1,433	-	141,477	164,550	72,880	-	-	237,430
Northshore note receivable	50,000	-	-	-	50,000	50,000	-	-	-	50,000
Inventory	36,918	-	-	-	36,918	40,306	-	-	-	40,306
Due from (to) other funds	453,117	(266,663)	(186,454)	-	-	665,509	(473,761)	(191,748)	-	-
Prepaid expenses	133,645	-	-	-	133,645	72,199	11,738	7,336	-	91,273
Total Current Assets	8,281,177	1,369,259	(185,021)	-	9,465,415	3,683,842	1,404,005	(184,412)	-	4,903,435
Restricted cash	-	-	231,928	-	231,928	-	-	223,133	-	223,133
Northshore note receivable, net of current portion	-	-	-	-	-	50,000	-	-	-	50,000
Unemployment compensation trust deposits	151,777	-	-	-	151,777	157,660	-	-	-	157,660
Investments	-	336,706	-	-	336,706	-	282,351	-	-	282,351
Endowment investments	3,925,132	5,000	-	-	3,930,132	3,540,591	5,000	-	-	3,545,591
Investment in partnership	-	-	-	-	-	(1,449)	-	-	1,449	-
Property and equipment, net	2,788,454	2,644,366	1,481,180	-	6,914,000	2,843,648	2,951,197	1,579,965	-	7,374,810
Total Assets	\$ 15,146,540	\$ 4,355,331	\$ 1,528,087	\$ -	\$ 21,029,958	\$ 10,274,292	\$ 4,642,553	\$ 1,618,686	\$ 1,449	\$ 16,536,980
Liabilities and Net Assets										
Current Liabilities										
Accounts payable and other accrued expenses	\$ 274,059	\$ 24,576	86,804	\$ -	\$ 385,439	\$ 268,857	\$ 25,052	\$ 95,660	\$ -	\$ 389,569
Accrued payroll	1,179,902	-	-	-	1,179,902	769,100	-	-	-	769,100
Long-term debt, current portion	120,876	-	8,844	-	129,720	115,099	-	36,801	-	151,900
Total Current Liabilities	1,574,837	24,576	95,648	-	1,695,061	1,153,056	25,052	132,461	-	1,310,569
Long-term debt, net	6,373,378	-	909,398	-	7,282,776	4,600,831	-	888,596	-	5,489,427
Total Liabilities	7,948,215	24,576	1,005,046	-	8,977,837	5,753,887	25,052	1,021,057	-	6,799,996
Net Assets										
Without donor restrictions	2,734,740	4,310,755	523,041	-	7,568,536	930,842	4,553,323	597,629	1,449	6,083,243
With donor restrictions	4,463,585	20,000	-	-	4,483,585	3,589,563	64,178	-	-	3,653,741
Total Net Assets	7,198,325	4,330,755	523,041	-	12,052,121	4,520,405	4,617,501	597,629	1,449	9,736,984
Total Liabilities and Net Assets	\$ 15,146,540	\$ 4,355,331	\$ 1,528,087	\$ -	\$ 21,029,958	\$ 10,274,292	\$ 4,642,553	\$ 1,618,686	\$ 1,449	\$ 16,536,980

Sound Generations and Affiliates

Consolidating Statements of Activities

<i>Year Ended December 31,</i>	2020				2019			
	Agency	Centers	Belltown, LLC	Total	Agency	Centers	Belltown, LLC	Total
Public Support								
Government grants	\$ 12,894,908	\$ 1,057,181	\$ -	\$ 13,952,089	\$ 9,577,936	\$ 823,685	\$ -	\$ 10,401,621
Contributions	3,723,609	824,074	-	4,547,683	2,592,619	566,672	-	3,159,291
Bequests	-	138,725	-	138,725	-	22,250	-	22,250
In-kind contributions	383,983	167,816	-	551,799	421,256	316,249	-	737,505
Total Public Support	17,002,500	2,187,796	-	19,190,296	12,591,811	1,728,856	-	14,320,667
Revenue								
Program service fees and sales	302,939	525,194	-	828,133	619,310	1,184,171	-	1,803,481
Rental and other income	58,046	103,489	198,250	359,785	25,232	292,688	213,468	531,388
Investment income	393,548	6,680	-	400,228	413,377	16,009	-	429,386
Total Revenue	754,533	635,363	198,250	1,588,146	1,057,919	1,492,868	213,468	2,764,255
Total Public Support and Revenue	17,757,033	2,823,159	198,250	20,778,442	13,649,730	3,221,724	213,468	17,084,922
Expenses								
Program services	11,790,371	2,835,186	243,758	14,869,315	10,866,808	3,467,703	289,516	14,624,027
Management and general	2,517,972	-	-	2,517,972	1,730,414	-	-	1,730,414
Fundraising	808,336	-	-	808,336	709,919	-	-	709,919
Total Expenses	15,116,679	2,835,186	243,758	18,195,623	13,307,141	3,467,703	289,516	17,064,360
Change in Net Assets before Allocations								
Among Funds	2,640,354	(12,027)	(45,508)	2,582,819	342,589	(245,979)	(76,048)	20,562
Allocations Among Funds	145,869	(118,630)	(27,239)	-	107,947	(96,926)	(11,021)	-
Change in Net Assets	\$ 2,786,223	\$ (130,657)	\$ (72,747)	\$ 2,582,819	\$ 450,536	\$ (342,905)	\$ (87,069)	\$ 20,562

Reports and Schedules in Accordance with *Government Auditing Standards* and Required by the Uniform Guidance



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Independent Auditor's 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*

To the 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 (Sound Generations), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 28, 2021.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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



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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*.

Purpose of this Report

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

BDO USA, LLP

June 28, 2021



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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Sound Generations and Affiliates
Seattle, Washington

Report on Compliance

Opinion on Compliance for Each Major Federal Program

We have audited Sound Generations and Affiliates' (Sound Generations) compliance with the types of compliance requirements described 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, 2020. Sound Generations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sound Generations complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Basis for Opinion

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 Auditor's 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Sound Generations' compliance with the types of 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.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of 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 types of 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 the 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 types of 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

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



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corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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.

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.

BDO USA, LLP

June 28, 2021

Sound Generations and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of Housing and Urban Development			
<i>Community Development Block Grants/Entitlement Grants Cluster</i>			
Passed through from City of Seattle Human Services Department			
Community Development Block Grants/Entitlement Grants	14.218	DA20-1477	\$ 488,134
Passed through from City of Shoreline			
Community Development Block Grants/Entitlement Grants	14.218	9677	79,765
Passed through from City of Bellevue Human Services Program			
Community Development Block Grants/Entitlement Grants	14.218	N/A	72,035
<i>Total Community Development Block Grants/Entitlement Grants Cluster</i>			639,934
Passed through from King County Housing Authority			
Moving to Work Demonstration Program	14.881	10364	43,204
Total Department of Housing and Urban Development			683,138
Department of Transportation			
<i>Transit Services Program Cluster</i>			
Passed through from State of Washington Department of Transportation			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0061	995,926
Passed through from King County Department of Transportation			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	1074-19-JAS	662,620
Total Transit Services Program Cluster and Department of Transportation			1,658,546
Department of the Treasury			
<i>Coronavirus Relief Fund Program Cluster</i>			
Passed through from King County Department of Community and Human Services Community Services Division			
Coronavirus Relief Fund	21.019	6059307	20,075
Coronavirus Relief Fund	21.019	6114885	30,678
Coronavirus Relief Fund	21.019	6059307	30,839
Coronavirus Relief Fund	21.019	6059307	23,193
Passed through from the City of Shoreline			
Coronavirus Relief Fund	21.019	9711	25,000
Coronavirus Relief Fund	21.019	9821	20,000
Passed through from the City of Lake Forest Park			
Coronavirus Relief Fund	21.019	20-6541C-220	15,119
Total Coronavirus Relief Fund Program Cluster and Department of the Treasury			164,904

The accompanying notes are an integral part of this schedule.

Sound Generations and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services			
Passed through from City of Seattle Human Services Department			
Special Programs for the Aging Title III, Part D, Disease Prevention and Health Promotion Services	93.043	DA20-5151	\$ 33,815
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	DA20-1874	6,000
National Family Caregiver Support, Title III, Part E	93.052	DA20-1874	375,435
<i>Aging Cluster</i>			
Passed through from City of Seattle Human Services Department			
Special Program for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	DA19-1818	440,748
Special Program for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	DA19-1818	218,578
Special Program for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	DA20-1874	513,248
Total Special Program for the Aging Title III, Part B Grants for Supportive Services and Senior Centers			1,172,574
Passed through from City of Seattle Human Services Department			
Special Program for the Aging Title III, Part C, Nutrition Services	93.045	DA20-1176	2,222,712
Special Program for the Aging Title III, Part C, Nutrition Services	93.045	DA19-1109	2,201,922
Total Special Program for the Aging Title III, Part C, Nutrition Services			4,424,634
<i>Total Aging Cluster</i>			<i>5,597,208</i>
<i>Medicaid Cluster</i>			
Passed through from the City of Seattle Human Services Department			
Medical Assistance Program	93.778	DA20-1874	54,709
Medical Assistance Program	93.778	DA20-1874	6,360
Total Medical Assistance Program and Medicaid Cluster			61,069

The accompanying notes are an integral part of this schedule.

Sound Generations and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed through from the University of Alabama at Birmingham Disabilities Prevention	93.184	N/A	\$ 16,504
Passed through from University of Washington Nursing Research	93.361	UWSC 9311	55,814
Passed through from National Council on Aging Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761	230	60,667
Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761	230	23,375
Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761	CBO23736	6,634
Total Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)			90,676
Passed through from National Council on Aging Empowering Older Adults and Adults with Disabilities Through Chronic Disease Self-Management Education Programs - Financed by Prevention and Public Health Funds (PPHF)	93.734	1936-66364	10,209
Passed through University of Washington Aging Research	93.866	BPO42362	35,654
Passed through from Washington State Department of Health Assistance Programs for Chronic Disease Prevention and Control	93.945	CB023933	59,247
Total Department of Health and Human Services			6,341,631
Total Expenditures of Federal Awards			\$ 8,848,219

The accompanying notes are an integral part of this schedule.

Sound Generations and Affiliates

Notes to Schedule of Expenditures of Federal Awards

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, 2020. 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.

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.

3. Indirect Cost Rate

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

Sound Generations and Affiliates

Schedule of Findings and Questioned Costs Year Ended December 31, 2020

Section II - Financial Statement Findings

There were no findings related to the consolidated financial statements that are required to be reported, in accordance with generally accepted government auditing standards.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined by 2 CFR 200.516(a)) that are required to be reported.