Safe & Sound

Financial Statements
Year Ended December 31, 2019
(With Summarized Information
for the Year Ended December 31, 2018)

Safe & Sound

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Safe & Sound

Contents

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Independent Auditor's Report

The Board of Directors
Safe & Sound
San Francisco, California

We have audited the accompanying financial statements of Safe & Sound, a California non-profit benefit corporation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe & Sound as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Safe & Sound's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

September 14, 2020

Financial Statements

Safe & Sound

Statement of Financial Position
(with comparative totals for 2018)

December 31,	2019	2018
Assets		
Cash and cash equivalents	$ **4,891,867**	$ 4,154,036
Investments, at fair value	**811,380**	765,801
Government contracts receivable	**859,701**	1,411,415
Pledges and grants receivable, net of reserves	**1,075,940**	676,505
Property and equipment, net of accumulated depreciation (Note 5)	**6,237,919**	6,396,314
Prepaid expenses and other assets	**469,374**	528,177
Total Assets	$ **14,346,181**	$ 13,932,248
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ **478,879**	$ 457,456
Accrued vacation	**198,301**	189,953
Deferred revenue	**175,637**	134,555
Other liabilities	**31,614**	38,267
Total Liabilities	**884,431**	820,231
Net Assets		
Without donor restrictions	**11,927,129**	11,346,649
With donor restrictions (Note 6)	**1,534,621**	1,765,368
Total Net Assets	**13,461,750**	13,112,017
Total Liabilities and Net Assets	$ **14,346,181**	$ 13,932,248

See accompanying notes to financial statements.

Safe & Sound

Statement of Activities and Changes in Net Assets
(with comparative totals for 2018)

Year ended December 31,

	Without Donor Restrictions	With Donor Restrictions	**2019**	2018
Support and Revenue				
Government grants	$ 3,385,530	$ -	**$ 3,385,530**	$ 3,464,118
Foundation and corporate grants	425,000	1,244,155	**1,669,155**	1,405,593
Fundraising events, net of direct donor benefits of $182,624 in 2019 and $175,074 in 2018	951,846	-	**951,846**	1,056,601
Donations	506,233	305,159	**811,392**	999,854
Rental income	536,439	-	**536,439**	561,544
In-kind revenue	246,168	-	**246,168**	357,331
Program service fees	89,593	-	**89,593**	109,568
Investment income	49,506	-	**49,506**	3,603
Other income	21,980	-	**21,980**	58,823
Net assets released from restriction:				
Satisfaction of donor requirements	1,780,061	(1,780,061)	**-**	-
Total Support and Revenue	7,992,356	(230,747)	**7,761,609**	8,017,035
Functional Expenses				
Program services	5,716,432	-	**5,716,432**	6,155,404
Management and general	814,459	-	**814,459**	670,118
Fundraising	880,985	-	**880,985**	787,863
Total Functional Expenses	7,411,876	-	**7,411,876**	7,613,385
Change in Net Assets	580,480	(230,747)	**349,733**	403,650
Net Assets, beginning of year	11,346,649	1,765,368	**13,112,017**	12,708,367
Net Assets, end of year	$ 11,927,129	$ 1,534,621	**$ 13,461,750**	$ 13,112,017

See accompanying notes to financial statements.

Safe & Sound

Statement of Functional Expenses
(with comparative totals for 2018)

Year ended December 31,

	Program Services				Supporting Services			
	Children & Family Services	Community Education & Partnerships	Strategic Partnerships & Policy	Total Program Services	Management and General	Fundraising	**2019**	2018
Salaries and stipends	$ 1,811,524	$ 506,722	$ 452,255	$ 2,770,501	$ 521,345	$ 444,919	**$ 3,736,765**	$ 3,911,700
Payroll taxes and benefits	368,807	102,305	70,407	541,519	84,099	69,762	**695,380**	699,926
Subcontractors	-	732,627	-	732,627	-	-	**732,627**	931,350
Consultants	212,711	73,327	154,433	440,471	62,293	198,293	**701,057**	538,595
Utilities and maintenance	52,602	28,592	230,577	311,771	15,689	14,133	**341,593**	303,120
Legal	115,829	32,624	30,744	179,197	34,796	29,899	**243,892**	284,529
Office supplies, postage, printing, and copying	22,540	6,061	7,028	35,629	(1,002)	27,176	**61,803**	80,831
Insurance	19,531	6,022	44,113	69,666	3,729	3,334	**76,729**	80,632
Client support	70,412	-	-	70,412	-	-	**70,412**	85,599
Recruitment and professional development	5,763	1,006	704	7,473	5,484	1,056	**14,013**	27,439
Program supplies	41,204	33,075	8,366	82,645	168	149	**82,962**	68,942
Travel, conferences, and meetings	10,590	5,567	22,619	38,776	1,975	1,928	**42,679**	48,061
Dues and subscriptions	30,901	18,595	4,457	53,953	10,635	22,752	**87,340**	83,719
Bay Park Owners Association dues	-	5,868	55,014	60,882	-	-	**60,882**	54,571
Audit and tax	-	-	-	-	41,320	-	**41,320**	39,850
Telephone and communications	25,243	5,919	6,449	37,611	7,036	6,462	**51,109**	43,325
Staff appreciation	10,133	3,002	2,728	15,863	2,675	2,123	**20,661**	34,331
Bank charges and interest expense	2,829	92	85	3,006	174	17,988	**21,168**	26,508
Accounting and payroll	10,419	2,935	2,617	15,971	3,009	2,564	**21,544**	25,323
Expendable equipment	3,465	2,053	65,812	71,330	1,450	1,496	**74,276**	25,342
Space rental	6,080	2,764	567	9,411	-	2,407	**11,818**	9,142
Board expenses	-	-	-	-	3,108	-	**3,108**	2,671
Bad debt expense	-	-	-	-	-	19,391	**19,391**	6,483
Equipment rental and repair	1,058	-	-	1,058	312	285	**1,655**	798
Depreciation	54,855	58,954	52,851	166,660	16,164	14,868	**197,692**	200,598
Total Functional Expenses	$ 2,876,496	$ 1,628,110	$ 1,211,826	$ 5,716,432	$ 814,459	$ 880,985	**$ 7,411,876**	$ 7,613,385

See accompanying notes to financial statements.

Safe & Sound

Statement of Cash Flows
(with comparative totals for 2018)

Year ended December 31,		**2019**		2018
Cash Flows from Operating Activities				
Change in net assets	**$**	**349,733**	$	403,650
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense		**197,692**		200,598
Provision for doubtful accounts		**2,794**		6,483
Net realized and change in unrealized loss (gain) on investments		**(26,153)**		17,661
Changes in assets and liabilities:				
Government contract, pledges, and grants receivable		**149,485**		(29,403)
Prepaid expenses and other assets		**58,803**		38,697
Accounts payable and accrued expenses		**21,423**		156,195
Accrued vacation		**8,348**		19,836
Deferred revenue		**41,082**		29,200
Other liabilities		**(6,653)**		8,808
Net Cash Provided by Operating Activities		**796,554**		851,725
Cash Flows from Investing Activities				
Purchase of investments		**(19,426)**		(17,313)
Purchase of fixed assets		**(39,297)**		(13,870)
Net Cash Used in Investing Activities		**(58,723)**		(31,183)
Increase in Cash and Cash Equivalents		**737,831**		820,542
Cash and Cash Equivalents, beginning of year		**4,154,036**		3,333,494
Cash and Cash Equivalents, end of year	**$**	**4,891,867**	$	4,154,036
Supplemental Non-Cash Disclosure				
Capitalized in-kind legal cost	**$**	**-**	$	16,089

See accompanying notes to financial statements.

1. Organization

Nature of Activities

Safe & Sound is a nonprofit organization established in 1973 whose mission is to prevent child abuse and reduce its devastating impact. Exempt from income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code, Safe & Sound is governed by a 20-member Board of Directors. Safe & Sound supports vulnerable children and their families, educates children and adults in the community about child safety, collaborates to ensure that the systems and social safety net protect children and effectively respond to instances of abuse, advocates for children and their safety, and works to build a movement of people who do too. Detailed information is available at safeandsound.org.

Our programs include:

Children & Family Services

We provide holistic, strength-based services to families with children in our community. By using our evidence-informed approach, we help families build upon their strengths to increase their protective factors: parental resilience, social connections, concrete support in times of need, knowledge of parenting and child development, and social and emotional competence of children. We provide one-on-one support to 750+ families; parenting education, support groups, skills workshops and community events; 24/7 telephone counseling; and Integrated Family Services (IFS)-care coordination and intensive support to families with increased risk for abuse. Over 90% of highly vulnerable families enrolled in IFS for at least 12 months demonstrate improvements in protective factors shown to correlate with low rates of abuse.

Community Education & Partnerships

We build community resilience and capacity through education and partnerships. We teach classes and workshops and develop curriculum on child safety and security. Our safety lessons reach 6,500+ children and our safety education trainings reach 2,000+ adults, including parents and child-serving professionals, to ensure abuse is reported. Over 90% of teachers report that our classes give their students tools to keep themselves safe and over 90% of adults say that they are more likely to take action if they suspect abuse. We also partner with community-based organizations to develop collective goals and agendas to collaboratively strengthen families to prevent abuse. This includes training and capacity-building, coordination, and information and resource-sharing. We partner with over 60 community-based organizations in the San Francisco Bay Area.

Strategic Partnerships & Policy

We advocate, engage in public awareness, and collaborate with government agencies and community organizations throughout the Bay Area to improve collective action and educate policymakers, public and private child-serving professionals, and the general public to achieve systemic change to improve the prevention of and response to child abuse. We serve as the backbone for several key partnerships, including the Children's Advocacy Center of San Francisco, the multidisciplinary team to respond to cases of sexual exploitation of children, the San Francisco Child Death Review Team, and the Family Resource Center Alliance, and are engaged in over a dozen additional networks and collaborations at the local, regional, and statewide level. Through these partnerships and collaborations, we work to enact policies on behalf of children and families living in vulnerable circumstances and address the root causes of family violence.

Funding and Revenue Concentration

Safe & Sound receives approximately 43% of its unrestricted income from government grants primarily awarded by various departments within the city and county of San Francisco. Should these grantors reduce their level of support, Safe & Sound could be required to reduce the level of activity of some of its programs.

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements of Safe & Sound are prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of Safe & Sound and changes therein are classified and reported as follows:

Net assets without donor restrictions – These assets include resources not subject to donor-imposed restrictions.

Net assets with donor restrictions – These assets include resources subject to donor-imposed stipulations that may, or will, be met either by actions of Safe & Sound and/or the passage of time, and includes resources subject to donor-imposed restrictions that require permanent investment by Safe & Sound.

Revenue Recognition and Accounting for Restricted Support

Contracts, grants, and contributions are recognized at fair value as revenue when received or unconditionally promised and collection is deemed to be reasonably certain.

Safe & Sound reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets are released from restriction.

Safe & Sound reports gifts of fixed assets as unrestricted 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, Safe & Sound reports expirations of donor restrictions when the donated or acquired assets are placed in service.

In-kind revenue is recognized at its fair value if the services require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. If there are any other services or goods donated to Safe & Sound, which Safe & Sound would have otherwise purchased, then it will be valued and recorded at the fair market value. For the year ended December 31, 2019, $246,168 was recorded as in-kind revenue.

Safe & Sound recognizes conditional contracts, grants, or contributions when the conditions are met. Safe & Sound recognizes program revenues and rental income when earned. Rental income is recorded on a straight-line basis over the lease terms.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates made by Safe & Sound include useful lives of property and equipment, valuation of pledges receivable and in-kind revenues and the allocation of functional expenses.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Safe & Sound's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at date of acquisition, including money market accounts.

Investments

Investments in marketable securities are recorded on their trade date and are stated at fair value in the statement of financial position. Realized and unrealized gains and losses, interest, and dividends are included in the statement of activities and changes in net assets in investment income.

Government Contracts Receivable

Government contracts receivable include amounts billed and unbilled under various governmental contracts for program services performed during the year. Management periodically reviews the collectability of government contracts receivable and provides a provision at the time it is determined that they are uncollectable.

Pledges and Grants Receivable

Pledges and grants receivable include amounts committed by donors that have not yet been received by Safe & Sound. Pledges and grants receivable are measured at fair value upon receipt. If a pledge or grant is not expected to be collected within one year, it is discounted to its estimated fair value using a present-value technique. The fair value of a pledge that is collectable within one year is recognized at its net realizable value. Management periodically reviews the collectability of pledges and grants receivable and provides a provision at the time it is determined that they are uncollectable.

Unconditional pledges and grants receivable are due as follows:

December 31,		**2019**		2018
Less than one year	**$**	**1,093,049**	$	643,274
1-5 years		**-**		50,000
Pledges and Grants Receivable		**1,093,049**		693,274
Less:				
Discount on long-term pledges and grants		**-**		(2,454)
Reserve for uncollectable pledges and grants		**(17,109)**		(14,315)
Pledges and Grants Receivable, Net	**$**	**1,075,940**	$	676,505

The amounts presented above have been discounted to present value using a discount rate of 2.63% in 2018. In 2019 there was no discount rate applied, as there are no long-term pledges and grants.

Property and Equipment

Property and equipment are reported at cost if purchased, or at fair value at the date of gift if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to 30 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Long-Lived Assets

Long-lived assets, such as land, building, and other property, are reviewed at least annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, Safe & Sound first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Safe & Sound determines fair value of long-lived assets held and used by reference to independent appraisals, quoted market prices (e.g., an offer to purchase) and other factors. There were no impairment charges recorded in the periods presented.

Fair Value Measurements

Safe & Sound considers fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value are either observable or unobservable. Observable inputs reflect assumptions that market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based on their own market assumptions. Safe & Sound utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

Level 1 – This level consists of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – This level consists of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – This level consists of unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables present the fair value hierarchy for the financial assets held by Safe & Sound measured at fair value on a recurring basis:

December 31, 2019

	Level 1	Level 2	Level 3
Assets			
Cash equivalents (money market)	$ 189,449	$ -	$ -
Investments[(a)]	621,931	-	-
Total	$ 811,380	$ -	$ -

December 31, 2018

	Level 1	Level 2	Level 3
Assets			
Cash equivalents (money market)	$ 189,300	$ -	$ -
Investments[(a)]	576,501	-	-
Total	$ 765,801	$ -	$ -

(a) Investments are in mutual funds whose underlying investments consist principally of intermediate and short-term bond funds and securities.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The carrying amounts of Safe & Sound's other financial instruments, which include accounts receivable, accounts payable, and other accrued expenses, approximate their fair values due to their short-term maturities.

Functional Expenses

Safe & Sound allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect expenses are allocated based on the ratio of each function's salary expense to total salary expense, with the exception of certain Third Street building expenses (inclusive of utilities and maintenance, insurance, and Bay Park Owners Association dues), which are considered costs of the Strategic Partnerships function.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB also issued ASU 2020-05, which deferred the effective date for Safe & Sound until its annual period beginning after December 15, 2019. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for Safe & Sound's fiscal year beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Accounting Pronouncements Adopted

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance applies to all entities that receive or make contributions. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. Safe & Sound adopted this standard prospectively for contributions received for the fiscal year ended December 31, 2019. The adoption of this standard resulted in all revenue streams being accounted for as contributions. Safe & Sound does not make significant contributions and the impact of ASU 2018-08 related to contributions made did not have a material impact to the financial statements or disclosures.

3. Tax Status

Safe & Sound is exempt from federal and California state income taxes under Section 501 (c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. Safe & Sound had no sources of unrelated business income during the years ended December 31, 2019 and 2018.

Safe & Sound follows the authoritative guidance for accounting for uncertainty in income taxes. Safe & Sound does not believe there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits. Safe & Sound has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Safe & Sound has filed IRS Form 990 tax returns as required and all applicable returns in those jurisdictions where it is required. Safe & Sound believes that it is no longer subject to U.S. federal, state, and local or non-U.S. income tax examinations by tax authorities for years before 2015. However, Safe & Sound is still open to examinations by tax authorities from fiscal year 2015 forward. For the year ended December 31, 2019, there were no penalties or interest recorded in the statement of activities and changes in net assets.

4. Concentrations of Credit Risk

Financial instruments that potentially subject Safe & Sound to concentrations of credit risk consist of cash deposits with a commercial bank and a brokerage firm. Safe & Sound maintains its cash accounts with two commercial banks. The accounts at the commercial banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000 for FDIC-insured accounts. As of December 31, 2019, Safe & Sound held $3,731,677 of cash in excess of insured amounts. The risk is managed by maintaining all deposits in high-quality financial institutions.

5. Property and Equipment, Net

Property and equipment, net, are as follows:

December 31,		**2019**		2018
Land	$	**2,102,159**	$	2,102,159
Building and building improvements		**5,220,716**		5,220,716
Furnishings and equipment		**191,290**		151,993
Intangibles		**5,000**		5,000
		7,519,165		7,479,868
Less: accumulated depreciation		**(1,281,246)**		(1,083,554)
Property and Equipment, Net	$	**6,237,919**	$	6,396,314

Depreciation expense for years ended December 31, 2019 and 2018 was $197,692 and $200,598, respectively.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions represent pledges and grants to Safe & Sound that have been restricted for a specific purpose or time period. Net assets with donor restrictions were as follows:

December 31,		**2019**		2018
Subject to expenditure for specified purpose:				
Children & Family Services	$	**674,545**	$	723,045
Community Education & Partnerships		**30,453**		101,953
Strategic Partnerships & Policy		**214,797**		345,370
Third Street Building purchase and operating reserve		**150,000**		350,000
Other specific purposes		**51,326**		20,000
Subject to the passage of time:				
For periods after December 31, 2020		**403,500**		215,000
Endowments:				
Investment in perpetuity		**10,000**		10,000
Total Net Assets with Donor Restrictions	$	**1,534,621**	$	1,765,368

Liquidity and Availability of Resources Disclosure

Safe & Sound's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Without Restrictions
Cash and cash equivalents	$ 4,178,291
Investments	801,380
Government contracts receivable	859,701
Tenants receivable	49,633
Contributions receivable	215,262
Total	$ 6,104,267

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Safe & Sound has a goal to maintain financial assets, which consist of cash, short-term investments, and current receivables on hand to meet six months of normal operating expenses, which are, on average, approximately $626,000 per month. Safe & Sound has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, Safe & Sound invests cash in various short-term investments in accordance with its Investment Policy.

7. Retirement Plan

During the majority of the year, Safe & Sound sponsored a 403(b) retirement plan covering employees who have been employed by Safe & Sound for at least one year and who regularly work at least 20 hours per week. The 403(b) plan was terminated on December 27, 2019 and replaced with a 401(k) retirement plan that was established on January 1, 2020. Former employees were notified that the 403(b) plan was being terminated and they could either cash-out or roll into an individual 403(b) plan with the same vendor. Current employees could opt to roll into the individual 403(b) or they could roll over their monies into the new 401(k) plan.

The 401(k) plan covering employees who have been employed by Safe & Sound for at least one year and who regularly work at least 20 hours per week. Employees may elect to make contributions to the Plan. Employer contributions made on behalf of eligible employees are discretionary. Safe & Sound contributed $47,878 and $45,510 to the 403(b) plan for the years ended December 31, 2019 and 2018, respectively.

8. Commitments and Contingencies

Leases

Safe & Sound leases out 3450 Third Street, Building 2, which it owns, to the following tenants: Sutter Health/California Pacific Medical Center, Center for Youth Wellness, and the Human Services Agency of the City and County of San Francisco.

Safe & Sound's future minimum estimated rental income as of December 31, 2019 is as follows:

Year ending December 31,		
2020	$	435,000
2021		447,000
2022		459,000
2023		160,000
Total	$	1,501,100

9. Subsequent Events

On March 11, 2020, the World Health Organization classified the outbreak of the novel coronavirus (COVID-19) as a pandemic. The novel coronavirus is adversely impacting global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak is rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting quarantines and restrictions on travel. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to Safe & Sound's performance and financial results. Safe & Sound evaluated subsequent events through September 14, 2020, which was the date the financial statements were available to be issued.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the 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 Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small business harmed by COVID-19. Safe & Sound has applied for, and has received, funds under the Paycheck Protection Program, after the period-end, in the amount of $875,000. The application for these funds requires Safe & Sound to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of Safe & Sound. This certification further requires Safe & Sound to take into account current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the Safe & Sound's operations. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on Safe & Sound having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

Other than the novel coronavirus and CARES Act, as discussed above, no events or transactions have occurred or are pending that would have a material effect on the financial statements at December 31, 2019.