Safe & Sound

Audit of Financial Statements
Year Ended December 31, 2022
(with Summarized Information for the Year Ended December 31, 2021)
Reports and Schedules in Accordance with *Government Auditing Standards* and Required by the Uniform Guidance
Year Ended December 31, 2022

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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

Opinion

We have audited the financial statements of Safe & Sound, which comprise the statement of financial position as of December 31, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Safe & Sound as of December 31, 2022, 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 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 Safe & Sound 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Safe & Sound'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Safe & Sound'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023 on our consideration of Safe & Sound's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Safe & Sound's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Safe & Sound's internal control over financial reporting and compliance.

BDO USA, P.C.

September 20, 2023

Financial Statements

Safe & Sound

Statement of Financial Position
(with comparative totals for 2021)

December 31,		**2022**		2021
Assets				
Current Assets				
Cash and cash equivalents	**$**	**11,002,524**	$	12,182,190
Investments		**1,860,836**		932,119
Government grants receivable		**2,357,995**		1,407,903
Contributions and other grants receivable, current portion		**2,458,232**		4,160,158
Prepaid expenses and other assets		**206,226**		290,654
Total Current Assets		**17,885,813**		18,973,024
Contributions and other grants receivable, net		**43,318**		1,485,375
Property and equipment, net		**5,852,805**		6,088,933
Total Assets	**$**	**23,781,936**	$	26,547,332
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**645,417**	$	765,362
Accrued payroll related liabilities		**536,741**		439,634
Deferred revenue		**48,328**		226,954
Other liabilities		**4,500**		10,047
Total Current Liabilities		**1,234,986**		1,441,997
Net Assets				
Without donor restrictions		**17,573,443**		16,635,120
With donor restrictions		**4,973,507**		8,470,215
Total Net Assets		**22,546,950**		25,105,335
Total Liabilities and Net Assets	**$**	**23,781,936**	$	26,547,332

See accompanying notes to financial statements.

Safe & Sound

Statement of Activities and Changes in Net Assets
(with comparative totals for 2021)

Year ended December 31,

	2022			2021
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Total
Support and Revenue				
Government grants	$ 5,380,710	$ -	$ 5,380,710	$ 4,097,640
Contributions and other grants	1,553,881	2,104,495	3,658,376	9,165,897
Fundraising events, net of direct donor benefits of $222,036 and $54,709, respectively	879,301	-	879,301	1,049,245
Rental income	531,248	-	531,248	539,354
In-kind donations	224,563	-	224,563	232,018
Program service fees	133,883	-	133,883	66,307
Investment return	26,319	-	26,319	(1,548)
Other income	3,279	-	3,279	14,294
Net assets released from restrictions	5,601,203	(5,601,203)	-	-
Total Support and Revenue	14,334,387	(3,496,708)	10,837,679	15,163,207
Expenses				
Program services	11,528,238	-	11,528,238	7,398,288
Management and general	1,215,305	-	1,215,305	1,006,379
Fundraising	1,196,705	-	1,196,705	954,950
Total Expenses	13,940,248	-	13,940,248	9,359,617
Change in Net Assets Before Non-Operating Activities	394,139	(3,496,708)	(3,102,569)	5,803,590
Contributions Received Through Acquisition	544,184	-	544,184	787,210
Paycheck Protection Program Loan Forgiveness	-	-	-	875,000
Change in Net Assets	938,323	(3,496,708)	(2,558,385)	7,465,800
Net Assets, beginning of year	16,635,120	8,470,215	25,105,335	17,639,535
Net Assets, end of year	$ 17,573,443	$ 4,973,507	$ 22,546,950	$ 25,105,335

See accompanying notes to financial statements.

Safe & Sound

Statement of Functional Expenses
(with comparative totals for 2021)

Year ended December 31,

	Program Services					Supporting Services			
	Children and Family Services	Community Education and Partnerships	Strategic Partnerships and Policy	Center for Youth Wellness	Total Program Services	Management and General	Fundraising	**2022 Total**	2021 Total
Salaries and stipends	$ 1,851,681	$ 838,933	$ 472,736	$ 761,921	$ 3,925,271	$ 737,924	$ 604,041	**$ 5,267,236**	$ 4,752,912
Subcontractors	20,082	1,207,827	2,399,791	753,959	4,381,659	-	-	**4,381,659**	1,171,181
Consultants	355,611	64,473	251,084	80,613	751,781	120,261	194,988	**1,067,030**	826,270
Payroll taxes and benefits	394,172	176,515	71,057	131,455	773,199	139,463	105,099	**1,017,761**	902,277
Utilities and maintenance	77,555	19,998	208,023	31,699	337,275	15,678	23,105	**376,058**	349,859
Client support	248,217	35,375	31,531	6,733	321,856	-	-	**321,856**	129,781
Legal	109,103	32,107	55,515	25,225	221,950	18,989	2,774	**243,713**	247,217
Depreciation	71,859	46,845	26,108	44,164	188,976	26,430	20,722	**236,128**	238,454
Dues and subscriptions	53,865	19,577	14,104	21,274	108,820	10,860	45,008	**164,688**	118,240
Bad debt expense	-	-	-	-	-	-	143,209	**143,209**	110,248
Telephone and communications	50,537	8,584	8,246	8,726	76,093	17,805	13,360	**107,258**	83,069
Insurance	29,285	6,681	45,675	10,051	91,692	2,628	3,483	**97,803**	89,071
Office supplies, postage, printing, and copying	16,742	5,158	17,001	6,543	45,444	24,280	24,408	**94,132**	47,353
Audit and tax	-	-	-	-	-	79,246	-	**79,246**	50,483
Program supplies	43,146	8,958	14,534	7,272	73,910	171	621	**74,702**	37,588
Bay Park Owners Association dues	-	4,252	50,094	4,036	58,382	-	-	**58,382**	89,339
Travel, conferences, and meetings	7,149	19,472	6,543	10,971	44,135	121	840	**45,096**	6,298
Equipment purchase, rental, and repair	22,924	6,562	3,800	4,628	37,914	3,948	594	**42,456**	7,595
Staff appreciation	18,926	3,989	2,677	5,318	30,910	3,625	380	**34,915**	17,898
Recruitment and professional development	15,562	1,623	1,024	11,652	29,861	3,744	604	**34,209**	33,668
Accounting and payroll	14,483	4,745	2,653	4,152	26,033	4,348	731	**31,112**	25,214
Bank charges and interest expense	1,547	-	-	114	1,661	486	12,736	**14,883**	19,038
Board expenses	-	-	-	-	-	5,285	-	**5,285**	5,245
Space rental	52	552	302	510	1,416	13	2	**1,431**	1,319
Total Expenses	$ 3,402,498	$ 2,512,226	$ 3,682,498	$ 1,931,016	$ 11,528,238	$ 1,215,305	$ 1,196,705	**$13,940,248**	$ 9,359,617

See accompanying notes to financial statements.

Safe & Sound

Statement of Cash Flows
(with comparative totals for 2021)

Year ended December 31,		**2022**		2021
Cash Flows from (for) Operating Activities				
Change in net assets	$	**(2,558,385)**	$	7,465,800
Adjustments to reconcile change in net assets to net cash from (for) operating activities:				
Depreciation expense		**236,128**		238,454
Bad debt expense		**143,209**		2,596
Gain on Paycheck Protection Program loan forgiveness		**-**		(875,000)
Contribution received through acquisition		**(544,184)**		(787,210)
Realized and unrealized losses (gains) on investments		**128,714**		(25,237)
Changes in assets and liabilities:				
Government grants receivable		**(950,092)**		(144,325)
Contributions and other grants receivable		**3,000,774**		(3,544,145)
Prepaid expenses and other assets		**84,428**		139,652
Accounts payable and accrued liabilities		**(119,945)**		483,101
Accrued payroll related liabilities		**97,107**		5,325
Deferred revenue		**(178,626)**		192,729
Other liabilities		**(5,547)**		(13,983)
Net Cash from (for) Operating Activities		**(666,419)**		3,137,757
Cash Flows from (for) Investing Activities				
Cash received from acquisition		**544,184**		430,000
Purchases of investments (and dividends reinvested)		**(1,057,431)**		(238,199)
Net Cash from (for) Investing Activities		**(513,247)**		191,801
Net Change in Cash		**(1,179,666)**		3,329,558
Cash, beginning of year		**12,182,190**		8,852,632
Cash, end of year	$	**11,002,524**	$	12,182,190
Safe & Sound acquired the Center for Youth Wellness and the non-cash portion of the contribution included the following identifiable assets and liabilities:				
Fair value of assets acquired	$	**544,184**	$	823,588
Cash transferred to Safe & Sound		**(544,184)**		(430,000)
Liabilities assumed		**-**		(36,378)
Total	$	**-**	$	357,210

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 and reduce the impact of childhood abuse, neglect, and trauma. Exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code, Safe & Sound is governed by a 21-member Board of Directors. Safe & Sound supports children and their families in vulnerable situations, 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.

Safe & Sound's programs include:

Children and Family Services

Safe & Sound provides holistic, strength-based services to families with children in its community. By using its evidence-informed approach, Safe & Sound helps 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. Safe & Sound provides one-on-one support to 600-700 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. At least 75% of families with coordinated, goal-oriented services for at least nine to 12 months show improvement in their self-identified goals meant to improve Protective Factors.

Community Education and Partnerships

Safe & Sound builds community resilience and capacity through education and partnerships. It teaches classes and workshops and develops curriculum on child safety and security. Safe & Sound's safety lessons reach 3,500 children and its safety education trainings reach 2,000 adults annually, including parents and child-serving professionals, to ensure that abuse is reported. Over 90% of teachers report that its 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. Safe & Sound also partners 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. Safe & Sound partners with over 60 community-based organizations in the San Francisco Bay Area.

Strategic Partnerships and Policy

Safe & Sound advocates, engages in public awareness, and collaborates 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. It serves 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 is engaged in over a dozen additional networks and collaborations at the local, regional, and statewide levels. Through these partnerships and collaborations, Safe & Sound works to enact policies on behalf of children and families living in vulnerable circumstances and address the root causes of family violence.

Center for Youth Wellness

Safe & Sound strengthens families now and into the future, with an intentional focus on partnering with families living in the Bayview-Hunters Point neighborhood. Center for Youth Wellness (CYW) is a national leader in the effort to advance pediatric medicine and transform the way society responds to children exposed to Adverse Childhood Experiences (ACEs) and toxic stress, providing evidence-based, family-focused care coordination and psychotherapy services.

On June 25, 2021, the CYW and Safe & Sound joined together as one organization, under the name and operations of Safe & Sound. This event was accounted under the acquisition method under ASC 958-805 with Safe & Sound being the business acquirer. The estimated fair value of the remaining identifiable assets and assumed liabilities amounted to a total net asset value of $787,210 with no additional consideration provided and therefore, was accounted for as a contribution received through acquisition within the statement of activities. The following summarizes the estimated fair values of the identifiable assets and liabilities at the agreement date:

Restricted cash	$	448,588
Accounts receivable		375,000
Accrued vacation		(36,378)
	$	787,210

Under the provisions of the acquisition agreement, CYW was to be dissolved and upon dissolution, all remaining cash after expenses and liabilities were paid was to be distributed to the acquirer, Safe & Sound. Dissolution did not occur until the year ended December 31, 2022, and as such the contingent cash to be received was undeterminable. During the year ended December 31, 2022, an additional $544,184 of cash was received as part of the acquisition. No additional consideration was provided and therefore, the additional cash was accounted for as a contribution received through acquisition within the statement of activities

2. Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (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 – Net assets that are not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may, or will, be met either by actions of Safe & Sound and/or the passage of time. Some net assets restrictions are required by donors to be held in perpetuity (endowment).

Expirations of restrictions on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities and changes in net assets.

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 GAAP. Accordingly, such information should be read in conjunction with Safe & Sound's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior-year comparative totals have been reclassified to conform to the current-year presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of cash on deposit with banks. Cash equivalents consist of highly liquid investments with maturities of three months or less at date of acquisition, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

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 and cash equivalents in various accounts between three commercial banks. These deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000. As of December 31, 2022 and 2021, Safe & Sound held cash in excess of insured amounts.

Investments

Safe & Sound carries investments in certificates of deposit and intermediate and short-term bond funds and securities. As of December 31, 2022, Safe & Sound held $1,006,882 of certificates of deposit and $853,954 of bond funds. As of December 31, 2021, Safe & Sound held $932,119 of bond funds. Certificates of deposit are valued at cost plus accrued interest. Bond funds have readily determinable fair values and are considered Level 1 under the fair value hierarchy. The fair value of investments in funds and securities is based on quoted market prices and is valued at the closing price on the last business day of the year. Realized and unrealized gains and losses, interest, and dividends are included in the statement of activities and changes in net assets as investment return.

Donated investments are initially recorded at fair value on, or near, the date of the gift.

Government Grants 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. Management determined that no allowance was considered necessary as of both December 31, 2022 and 2021.

Contributions and Other Grants Receivable, Net

Contributions and other grants receivable consist of unconditional promises to give by donors that have not yet been received by Safe & Sound. Conditional promises to give are recognized when the conditions are substantially met. Safe & Sound has no conditional promises to give outstanding as of December 31, 2022. Contributions and other 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. Management determined that an allowance of $17,770 was necessary as of December 31, 2022. No allowance was considered necessary as of December 31, 2021.

Revenue Recognition and Accounting for Restricted Support

Safe & Sound is awarded grants from federal, state, county, and city agencies. Grants are typically awarded for a multi-year period, with the amount awarded negotiated in advance. Those grants funded typically renew annually. Grant revenue is most appropriately classified as conditional contributions, and therefore, revenue is recognized as conditions are met, which is typically as allowable costs are incurred.

Safe & Sound had $3,378,897 in conditional grants outstanding as of December 31, 2022. These grants are expected to be recognized in the year ending December 31, 2023, as conditions are met.

Contributions and other grants received are recorded when an unconditional promise to give is made and is recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

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 recognizes program revenues are recognized when the performance obligation has been satisfied (typically as program activities occur). The transaction price is determined based on standard charges for the various goods and services to be provided. Rental income is recognized in the month in which occupancy is provided. Rental income is recorded on a straight-line basis over the lease terms. Amounts collected in advance are deferred and recognized as earned.

Funding and Revenue Concentration

Safe & Sound received approximately 18% and 42% of support and revenue from one and two funding sources during the years ended December 31, 2022 and 2021, respectively.

Contributed Goods and Services

Safe & Sound at times receives significant in-kind contributions of time and pro-bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Safe & Sound. Safe & Sound recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

Donated and pro-bono services are valued at the standard hourly rates for similar services in the local market. Donated goods are valued at the wholesale prices that would be paid for similar products.

Property and Equipment, Net

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. Individual items with a value greater than $5,000 and that have a useful life of greater than one year are capitalized. 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.

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

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 – 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 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.

Income Taxes

Safe & Sound is exempt from federal and California state income taxes under Section 501(c)(3) of IRC 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, 2022 and 2021.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the current lease guidance under *Leases (Topic 840)* and makes several changes, such as requiring an entity establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The update was originally effective for private companies for annual and interim reporting periods beginning after December 15, 2019. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, to add clarity to certain areas within ASU 2016-02, to add an additional and optional transition method to adopt the new leases standard by allowing recognition of a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The revised effective date is for annual periods beginning after December 15, 2021.

Effective January 1, 2022, Safe & Sound adopted FASB ASU 2016-02, including the following practical expedients available for implementation:

- An entity need not reassess whether any existing or expired contract is or contains leases.
- An entity need not reassess lease classification for any existing or expired leases.
- An entity need not reassess initial direct costs for any existing leases.

Adoption of ASU 2016-02 had no impact on the consolidated financial statements.

During the year ended December 31, 2022, Safe & Sound retrospectively adopted the provisions of ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, issued by the FASB. The pronouncement was issued to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU No. 2020-07 does not change the existing recognition and measurement requirements for contributed nonfinancial assets. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

Subsequent Events

Safe & Sound evaluated subsequent events through September 20, 2023 which was the date of the financial statements were available to be issued.

3. 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 are as follows:

December 31,	**2022**	2021
Net Assets with Purpose or Time Restrictions		
Strategic Partnerships and Policy	**$ 2,790,371**	$ 6,401,318
Time restricted	**340,000**	543,750
Children and Family Services	**750,636**	626,703
Community Education and Partnerships	**484,000**	65,453
Third Street Building purchase and operating reserve	**140,000**	150,000
Center for Youth Wellness	**128,500**	638,991
Other specific purposes	**330,000**	34,000
	4,963,507	8,460,215
Net Assets with Perpetual Restrictions		
Endowments	**10,000**	10,000
Total	**$ 4,973,507**	$ 8,470,215

4. Liquidity and Availability of Resources

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:

December 31,	2022	2021
Financial Assets at Year End		
Cash and cash equivalents	**$ 11,002,524**	$ 12,182,190
Investments	**1,860,836**	932,119
Government grants receivable	**2,357,995**	1,407,903
Contributions and other grants receivable, net	**2,501,550**	5,645,533
Total Financial Assets	**17,722,905**	20,167,745
Less: amounts not available to be used within one year:		
Contributions and other grants receivable, net	**(43,318)**	(1,485,375)
Net assets with donor restrictions for particular purposes	**(4,930,189)**	(6,984,840)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	**$ 12,749,398**	$ 11,697,530

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 $980,000 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.

5. Contributions and Other Grants Receivable, Net

Contributions and other grants receivable are recorded in the statement of financial position as follows:

December 31,	2022	2021
Receivable in less than one year	**$ 2,471,002**	$ 4,170,970
Receivable in one to five years	**50,000**	1,500,000
	2,521,002	5,670,970
Less: discount on long-term contributions and other grants	**(1,682)**	(14,625)
Less: reserve for uncollectable contributions and other grants	**(17,770)**	(10,812)
Total	**$ 2,501,550**	$ 5,645,533

December 31,		2022		2021
Contributions and other grants receivable, current portion	$	**2,458,232**	$	4,160,158
Contributions and other grants receivable, net		**43,318**		1,485,375
Total	$	**2,501,550**	$	5,645,533

The amounts presented above have been discounted to present value using a discount rate of 4.73% and 0.56% in 2022 and 2021, respectively.

6. Property and Equipment, Net

Property and equipment, net, are as follows:

December 31,		2022		2021
Land	$	**2,102,159**	$	2,102,159
Building and building improvements		**5,388,036**		5,388,038
Furnishings and equipment		**348,091**		348,091
		7,838,286		7,838,288
Less: accumulated depreciation		**(1,985,481)**		(1,749,355)
	$	**5,852,805**	$	6,088,933

Depreciation expense for years ended December 31, 2022 and 2021, was $236,128 and $238,454, respectively.

7. Paycheck Protection Program Loan

Safe & Sound received loan proceeds under the Paycheck Protection Program (PPP) in the amount of $875,000 on April 20, 2020, with a fixed interest rate of 1.00% per annum. 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 Safe & Sound's current activity and Safe & Sound's ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to Safe & Sound. 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.

The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), provides for loans to qualifying businesses for amounts up to 2½ times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after the appropriate time period as long as the borrower has initially qualified for the loan and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the appropriate time period.

Safe & Sound received full forgiveness of the outstanding principal and accrued interest from the Small Business Association (SBA) on July 20, 2021 in the amount of $875,000.

The SBA has stated that all PPP loans in excess of $2 million, and other PPP loans as appropriate will be subject to review by the SBA for compliance with program requirements. While Safe & Sound believes the PPP loan was properly obtained and forgiven, there can be no assurance regarding the outcome of an SBA review. Safe & Sound has not accrued any liability associated with the risk of an adverse SBA review.

8. In-Kind Donations

In-kind donations included pro-bono legal services and donated goods. Donations were utilized by Safe & Sound's supporting services and there were no donor-imposed restrictions.

In-kind donations were as follows:

Year ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Donated services	$ -	$ 197,113	$ -	$ 197,113
Donated goods	-	-	27,450	27,450
	$ -	$ 197,113	$ 27,450	$ 224,563

Year ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Donated services	$ -	$ 232,018	$ -	$ 232,018
Donated goods	-	-	-	-
	$ -	$ 232,018	$ -	$ 232,018

9. Retirement Plan

The 401(k) plan covers 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 $144,143 and $132,335 to the 401(k) plan for the years ended December 31, 2022 and 2021, respectively.

10. 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/South of Market Health Center and the Human Services Agency of the City and County of San Francisco, all of which expiring at various times through November 2025. Sutter Health has a purchase option provision during the lease period through November 2023 to purchase the building for fair value.

Safe & Sound's future minimum estimated rental income as of December 31, 2022, are as follows:

Year ending December 31,		
2023	$	165,844
2024		70,126
2025		64,282
Total	$	300,252

Grant Awards

At December 31, 2022, there were $1,011,596 of conditional grant subawards outstanding to various organizations.

Supplementary 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*

The Board of Directors
Safe & Sound
San Francisco, California

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 financial statements of Safe & Sound, which comprise Safe & Sound's statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Safe & Sound's 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Safe & Sound's internal control. Accordingly, we do not express an opinion on the effectiveness of Safe & Sound's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Safe & Sound's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Safe & Sound's Response to Findings

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

Purpose of This Report

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

BDO USA, P.C.

September 20, 2023

BDO

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

The Board of Directors
Safe & Sound
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited Safe and Sound's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Safe and Sound's major federal programs for the year ended December 31, 2022. Safe and Sound's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Maternal and Child Health Federal Consolidated Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Safe & Sound complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Maternal and Child Health Federal Consolidated Programs for the year ended December 31, 2022.

Basis for Qualified 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 Safe and Sound and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination of Safe and Sound's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Maternal and Child Health Federal Consolidated Programs

As described in the accompanying schedule of findings and questioned costs, Safe & Sound did not comply with requirements regarding the following:

Finding #	Federal Assistance Listing #	Program (or Cluster Name)	Compliance Requirement
2022-003	93.110	Maternal and Child Health Federal Consolidated Programs	Allowable Costs/ Activities Allowed or Unallowed

Compliance with such requirements is necessary, in our opinion, for Safe & Sound to comply with the compliance requirements applicable to that program.

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 Safe and Sound's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Safe and Sound's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Safe and Sound's 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 Safe and Sound's 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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Safe & Sound is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Safe & Sound's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-005 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-004 to be significant deficiencies.

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

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

Safe & Sound is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Safe & Sound's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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, P.C.

September 20, 2023

Safe & Sound

Schedule of Expenditures of Federal Awards

Year ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Cluster or Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Department of Justice				
Pass-through from State of California:				
Crime Victim Assistance	16.575	KC20 04 1243 and KC21 05 1243	$ -	$ 232,827
Department of Health and Human Services				
Maternal and Child Health Federal Consolidated Programs	93.110	1 U2CMC42678-01-00 and 6 U2CMC42678-02-01	452,959	1,052,473
Pass-through from State of California:				
Foster Care Title IV-E	93.658	12305/22305	-	9,998
Child Abuse and Neglect State Grants	93.669	CC-SS17-20-E-A3	-	23,110
Total Department of Health and Human Services			452,959	1,085,581
Total Federal Expenditures			$ 452,959	$ 1,318,408

The accompanying notes are an integral part of this schedule.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Safe & Sound under programs of the federal government for the year ended December 31, 2022. 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 Safe & Sound, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Safe & Sound.

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.

3. Indirect Cost Rate

Safe & Sound has elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Safe & Sound

Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP		Unmodified		
Internal control over financial reporting:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?	X	Yes		None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major federal programs:				
• Material weakness(es) identified?	X	Yes		No
• Significant deficiency(ies) identified?	X	Yes		None Reported
Type of auditor's report issued on compliance for major federal programs:		Qualified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
93.110	Maternal and Child Health Federal Consolidated Program

Dollar threshold used to distinguish between Type A and Type B programs:		$750,000		
Auditee qualified as low-risk auditee?		Yes	X	No

Section II. Financial Statement Findings

2022-001 – Net Assets with and without Donor Restrictions

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Condition: We noted that the net asset rollforward was not properly updated by the accounting team throughout the year, particularly for time-restricted pledges. Net assets with time restrictions were not released when they became available for use. Significant modifications and corrections were made during the audit process.

Cause: Inadequate review and reconciliation of donor agreements and timing of release impacting net asset balances, and the net asset rollforward were not performed.

Effect: Insufficient internal controls over the tracking and reporting of net assets by those with and without donor restrictions resulted in improper classification of these balances at year-end. Net assets with donor restrictions was overstated by approximately $725,000.

Identification as a Repeat Finding: Not Applicable.

Recommendation: We recommend that Safe & Sound continue to review transactions as they are being recorded for proper classification to ensure that all donor restrictions are being appropriately recognized, regardless of amount. As part of the year-end close process, we recommend that an individual with the appropriate knowledge and oversight review the listing of all restricted contributions and releases to ensure that they are properly recorded.

Views of Responsible Officials: Management agrees with the finding. Management will strengthen internal controls over net assets as well as the review and approval of the rollforward regularly.

2022-002 – Revenue Recognition

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Condition: Safe & Sound recognized revenue on a multi-year promise to give; however, the gift was not unconditional as it was subject to approval by the donor advised fund.

Cause: Inadequate review of donor agreements and inadequate understanding of conditions.

Effect: Revenue and contributions and other grants receivable was overstated by $100,000.

Identification as a Repeat Finding: Not Applicable.

Recommendation: We recommend that Safe & Sound continue to review transactions as they are being recorded for proper classification to ensure that all conditions are being appropriately identified. As part of the year-end close process, we recommend that an individual with the appropriate knowledge and oversight review the listing of outstanding pledges to review whether they are unconditional pledges.

Views of Responsible Officials: Management agrees with the finding. Management will strengthen internal controls over multi-year pledges.

Section III. Federal Award Findings and Questioned Costs

2022-003 – Allowable Costs/Activities Allowed or Unallowed

Federal Agencies: Department of Health and Human Services

Federal Assistance Listing Numbers: 93.110

Program: Maternal and Child Health Federal Consolidated Programs

Pass-Through Entity Identifying Numbers: N/A

Criteria: The Uniform Guidance in 2 CFR Section 200.303 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statues, regulations, and the terms and conditions of the Federal award.

Per 2 CFR Section 200.431 - Compensation - Fringe Benefits:

"The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in § 200.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

Per 2 CFR Section 200.430 - Compensation – Personnel Services:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

   a. The system for establishing the estimates produces reasonable approximations of the activity actually performed.

b. Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

c. The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated."

In addition, per 2 CFR Section 200.403 regarding all direct costs:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.

(g) Be adequately documented."

Condition: We noted that Safe & Sound allocated fringe benefits during 2022 based on a flat percentage of salaries charged to the grant based on a methodology determined during the budget making process. The methodology was isolated to charges of fringe benefits.

In addition, shared costs (e.g., insurance and occupancy) during 2022 were charged on a monthly basis as one twelfth of the total budgeted amount for the year. The methodology was isolated to certain shared costs.

Safe & Sound does not have a process in place to true-up certain costs charged based on budget during interim periods to actual amounts.

Context: Total fringe benefits charged to the grant were $38,534. Total shared costs charged to the grant were $16,536.

Cause: Safe & Sound did not have policies and procedures in place to review and reconcile the budgeted amounts of fringe benefits or shared costs charged to the actual expenditures incurred.

Effect or Potential Effect: Without adequate controls in place to ensure costs based on budgeted totals are reasonable and reconcile to the actual time spent on the program, Safe & Sound could incorrectly charge expenditures to the federal program, or not request appropriate reimbursement. Safe & Sound is entitled to under the terms of the grant.

Questioned Costs: $55,070

Identification as a Repeat Finding: Not Applicable.

Recommendation: We recommend that Safe & Sound implement policies and procedures to review for any necessary budget to actual adjustments, and we recommend that sufficient documentation be maintained to support any adjustments made as required by 2 CFR 200.430. In addition, we recommend training be provided to staff on requirements of their federal grants.

Views of Responsible Officials: Management agrees with the finding. Management will implement policies and procedures to ensure a true up between budget and actual is completed and ensure all actuals are properly supported.

2022-004 – Allowable Costs/Activities Allowed or Unallowed

Federal Agencies: Department of Health and Human Services

Federal Assistance Listing Numbers: 93.110

Program: Maternal and Child Health Federal Consolidated Programs

Pass-Through Entity Identifying Numbers: N/A

Criteria: The Uniform Guidance in 2 CFR Section 200.303 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statues, regulations, and the terms and conditions of the Federal award.

Per 2 CFR Section 200.414:

> “In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that does not have a current negotiated (including provisional) rate, except for those non-Federal entities described in appendix VII to this part, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. No documentation is required to justify the 10% de minimis indirect cost rate. As described in § 200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.”

As defined by 2 CFR Section 200.1:

> “Modified Total Direct Cost (MTDC) means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes

equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs."

Condition: We noted that the calculation for indirect costs utilized the incorrect base which was not the MTDC.

Context: Safe & Sound utilizes the de minimis indirect rate of 10% of MTDC. The condition was identified in a recalculation of indirect costs based on MTDC for 2022.

Cause: Safe & Sound did not have policies and procedures in place to ensure indirect cost rate is calculated based on the appropriate base, MTDC.

Effect or Potential Effect: Without adequate controls in place to ensure indirect costs are calculated based on MTDC, Safe & Sound could incorrectly charge expenditures to the federal program, or not request appropriate reimbursement Safe & Sound is entitled to under the terms of the grant.

Questioned Costs: Below reporting threshold.

Identification as a Repeat Finding: Not Applicable.

Recommendation: We recommend that Safe & Sound implement policies and procedures to review indirect cost calculations based on MTDC and provide training to staff.

Views of Responsible Officials: Management agrees with the finding. Management will implement policies and procedures to appropriately calculate indirect costs.

2022-005 – Reporting

Federal Agencies: Department of Health and Human Services

Federal Assistance Listing Numbers: 93.110

Program: Maternal and Child Health Federal Consolidated Programs

Pass-Through Entity Identifying Numbers: N/A

Criteria: Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred as the "FFATA" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). The subawards are required to be reported no later than the last day of the month following the month in which the subaward obligation was made or modified.

Condition: We were unable to determine if internal controls were in place during 2022 to ensure FFATA reporting was performed, and both first-tier subawards entered into by Safe & Sound over $30,000 were reported late.

Context: Safe & Sound had two subawards that met the FFATA requirements. Both were not reported until the audit period which was past the required reporting deadline.

Cause: There was turnover in both the Chief Financial & Operating Officer (CFOO) and Chief Executive Officer roles as well as inadequate knowledge of federal grant requirements. The CFOO role has since been broken out into Chief Financial Officer and Chief Administrative Officer roles.

Effect or Potential Effect: FFATA reporting was not performed timely and accurately.

Questioned Costs: None.

Identification as a Repeat Finding: Not Applicable.

Recommendation: We recommend that Safe & Sound implement policies and procedures to review FFATA reporting and maintain documentation of internal controls as well as provide training to staff on federal grant requirements.

Views of Responsible Officials: Management agrees with the finding. Management will implement policies and procedures to document preparation and review and approval of FFATA reporting requirements.

Corrective Action Plan
Year Ended December 31, 2022

2022-001 – Net Assets with and without Donor Restrictions

Name of Responsible Individual(s): *Brian Byrdsong, Chief Development Officer, and Pamela Aguilera, Chief Financial Officer*

Corrective Action: Historically, Safe & Sound has released restrictions on a more conservative basis, while ensuring that all funds are properly released based on the purpose and by the time period noted by the donor. We confirmed that there is no firm guidance regarding the releasing of time-restricted general operating grants being based on payment received (rather than gradually by the end of the time period noted by the donor), but we decided to consider and implement the best practice recommendations accordingly.

Therefore, Safe & Sound has reviewed the current practices related to releasing restricted grants and contributions. As a result, to add onto our month-end close process, Safe & Sound's Finance and Development teams implemented these best practice procedures to release time-restricted general operating grants based on when the payments are received.

We reviewed all time-restricted general operating grants and released the restriction for the grants where payments have been received. We believe the adjustments made were not material to the financial statements as a whole. We also reviewed the prior periods, noting no material impact to the financial statements as well. The adjustments were merely a reclass between "Without Donor Restrictions" and "With Donor Restrictions" within our Statement of Activities and Changes in Net Assets. There was no impact to the total support and revenue and net assets.

Date Completed: *8/7/2023*

2022-002 – Revenue Recognition

Name of Responsible Individual(s): *Brian Byrdsong, Chief Development Officer, and Pamela Aguilera, Chief Financial Officer*

Corrective Action: Historically, Safe & Sound recognized the full revenue, and corresponding receivable, for multi-year donations paid via Donor Advised Funds. Given the recommendation to only recognize the revenue in the year the payment has been received, we decided to consider and implement the recommendation accordingly.

Safe & Sound has reviewed the current practices related to recognizing promises to give, including those from Donor Advised Funds. As a result, to add onto our month-end close process, Safe & Sound's Finance and Development teams implemented these procedures to review all promises to give for conditions and to properly recognize multi-year promises to give via Donor Advised Funds based on when the payments are received. We

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reviewed all donations received via Donor Advised Funds and made the necessary adjustments within our development and accounting systems to only recognize the revenue for the year the payment has been received. We believe the adjustments made were not material to the financial statements as a whole. We also reviewed the prior periods, noting no material impact to the financial statements as well.

Date Completed: *8/1/2023*

2022-003 – Allowable Costs/Activities Allowed or Unallowed: Fringe Benefits and Shared Costs

Name of Responsible Individual(s): *Pamela Aguilera, Chief Financial Officer*

Corrective Action: During the initial year of receiving our first direct federal grant, Safe & Sound calculated fringe benefits based on a percentage of the salaries allocated to the grant. Salaries were calculated based on time and effort.

Safe & Sound has reviewed the current practices related to allocating fringe benefits and shared costs. Safe & Sound's Finance team reviewed and verified that we have the adequate fringe benefit and shared costs to meet the costs allocated to this grant. To ensure we have the proper supporting documentation to meet the Uniform Guidance requirements in 2 CFR Sections 200.303 and 200.403, we will implement time and effort documentation for benefit and shared cost allocations on a monthly basis and will review for any necessary budget to actual adjustments.

Date Completed: *8/31/2023*

2022-004 – Allowable Costs/Activities Allowed or Unallowed: Indirect Cost

Name of Responsible Individual(s): *Pamela Aguilera, Chief Financial Officer.*

Corrective Action: Safe & Sound's Finance team implemented policies and procedures to ensure the indirect cost rate is calculated based on modified total direct costs, which excludes amounts over $25,000 for subawards. We updated our formulas to ensure that we properly calculated indirect costs on a monthly basis, ensuring the exclusion of subawards over $25,000.

Date Completed: *7/31/2023*

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Corrective Action Plan
Year Ended December 31, 2022

2022-005 – Reporting

Name of Responsible Individual(s): *Pamela Aguilera, Chief Financial Officer.*

Corrective Action: Due to staff transition from those who managed the federal grant, the documented controls and timely reporting were missed. Safe & Sound's Finance team implemented policies and procedures to ensure the timely preparation, review, and approval of FFATA reporting.

Date Completed: *8/31/2023*

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