SAFE KIDS WORLDWIDE

Financial Statements

June 30, 2006 and 2005

(With Independent Auditors' Report Thereon)

KPMG LLP
1660 International Drive
McLean, VA 22102

Independent Auditors' Report

The Board of Directors
Safe Kids Worldwide:

We have audited the accompanying statement of financial position of Safe Kids Worldwide (Safe Kids) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Safe Kids' management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of Safe Kids Worldwide as of June 30, 2005, were audited by other auditors whose report thereon dated September 21, 2005, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Safe Kids' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of Safe Kids as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

July 20, 2007

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SAFE KIDS WORLDWIDE

Statements of Financial Position

June 30, 2006 and 2005

Assets		**2006**	**2005**
Current assets:			
Cash	$	52,659	61,514
Accounts receivable, net of allowance for uncollectible accounts of $7,134 in 2006 and $2,628 in 2005		196,019	114,747
Prepaid other expense		—	12,928
Contributions receivable		5,783,333	2,847,510
Refunds due from affiliates		—	50,000
Federal grants receivable		106,789	461,727
Inventory		210,183	127,270
Total current assets		6,348,983	3,675,696
Equipment, net		123,566	143,596
Contributions receivable, net		5,065,499	—
Due from affiliates		5,875,780	6,663,420
Total assets	$	17,413,828	10,482,712
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	280,590	464,354
Capital lease obligations		23,463	—
Refundable grants		—	50,000
Accrued expenses and other current liabilities		521,109	422,911
Deferred grant revenue		482,586	671,256
Total liabilities		1,307,748	1,608,521
Net assets:			
Unrestricted		1,590,350	1,569,267
Temporarily restricted		14,515,730	7,304,924
Total net assets		16,106,080	8,874,191
Total liabilities and net assets	$	17,413,828	10,482,712

See accompanying notes to financial statements.

SAFE KIDS WORLDWIDE

Statements of Activities

Years ended June 30, 2006 and 2005

		2006	2005
Unrestricted net assets:			
Unrestricted revenues, gains and other support:			
Contributions	$	1,364,935	492,323
Grant revenue		850,469	794,210
Other operating revenues		1,272,400	1,229,431
Net assets released from restrictions		7,627,401	8,662,404
Total contributions, revenue and support		11,115,205	11,178,368
Expenses:			
Program expenses:			
Community health services		3,123,046	5,020,870
Research, training and technical assistance		3,460,788	2,764,781
Public education and information		2,435,913	1,940,870
Advocacy		437,826	125,450
Total program expenses		9,457,573	9,851,971
Supporting services expenses:			
Management and general		1,172,325	773,189
Fund-raising		464,224	553,177
Total supporting services expenses		1,636,549	1,326,366
Total expenses		11,094,122	11,178,337
Increase in unrestricted net assets		21,083	31
Temporarily restricted net assets:			
Contributions		14,590,918	7,389,688
Interest income		247,289	272,182
Net assets released from restrictions		(7,627,401)	(8,662,404)
Increase/(decrease) in temporarily restricted net assets		7,210,806	(1,000,534)
Change in net assets		7,231,889	(1,000,503)
Net assets at beginning of year		8,874,191	9,874,694
Net assets at end of year	$	16,106,080	8,874,191

See accompanying notes to financial statements.

SAFE KIDS WORLDWIDE

Statement of Functional Expenses

Year ended June 30, 2006

	Programs					Supporting services			
	Community health services	Research, training and technical assistance	Public education and information	Advocacy	Total	Management and general	Fund-raising	Total	Total expenses
Payroll	$ 795,975	790,057	733,008	196,262	2,515,302	674,399	316,763	991,162	3,506,464
Temporary staff	35,799	24,190	16,312	4,745	81,046	21,728	5,984	27,712	108,758
Taxes and benefits	117,805	116,777	108,485	29,047	372,114	99,811	46,881	146,692	518,806
Total salaries and related costs	949,579	931,024	857,805	230,054	2,968,462	795,938	369,628	1,165,566	4,134,028
Other expenses:									
Grants to affiliates	1,149,563	654,935	805,157	112,090	2,721,745	—	—	—	2,721,745
Safety devices and equipment	158,115	45,290	7,214	6,467	217,086	—	—	—	217,086
Media services and printing	162,131	84,648	391,145	15,680	653,604	5,846	(834)	5,012	658,616
Professional fees	77,996	794,262	81,307	14,859	968,424	167,702	18,616	186,318	1,154,742
Office space and storage	103,532	105,598	38,434	19,755	267,319	74,366	34,612	108,978	376,297
Travel and education	123,082	109,306	66,806	9,511	308,705	26,243	17,079	43,322	352,027
Postage and delivery	99,100	50,532	77,819	8,888	236,339	17,076	7,943	25,019	261,358
Telephone and website	35,990	31,637	28,636	6,432	102,695	19,140	8,990	28,130	130,825
Legal fees and insurance	47,833	13,491	707	1,955	63,986	38,687	93	38,780	102,766
Training, meeting and conference	1,597	566,786	53,567	(256)	621,694	62	38	100	621,794
Office supplies/equipment	171,306	63,227	26,837	10,955	272,325	12,502	8,059	20,561	292,886
Bad debt expense	—	—	—	—	—	4,658	—	4,658	4,658
Recruitment	—	—	—	—	—	10,105	—	10,105	10,105
Depreciation	43,222	10,052	479	1,436	55,189	—	—	—	55,189
Total other expenses	2,173,467	2,529,764	1,578,108	207,772	6,489,111	376,387	94,596	470,983	6,960,094
Total functional expenses	$ 3,123,046	3,460,788	2,435,913	437,826	9,457,573	1,172,325	464,224	1,636,549	11,094,122

See accompanying notes to financial statements.

SAFE KIDS WORLDWIDE

Statement of Functional Expenses

Year ended June 30, 2005

	Programs					Supporting Services			
	Community health services	Research, training and technical assistance	Public education and information	Advocacy	Total	Management and general	Fund-raising	Total	Total expenses
Payroll	$ 1,051,347	730,596	656,296	22,539	2,460,778	411,748	351,534	763,282	3,224,060
Temporary staff	23,401	19,364	6,619	627	50,011	6,960	5,942	12,902	62,913
Taxes and benefits	137,497	108,677	91,272	2,969	340,415	63,917	54,571	118,488	458,903
Total salaries and related costs	1,212,245	858,637	754,187	26,135	2,851,204	482,625	412,047	894,672	3,745,876
Other expenses:									
Grants to affiliates	2,702,316	419,530	383,500	85,800	3,591,146	—	—	—	3,591,146
Safety devices and equipment	329,800	—	—	—	329,800	—	—	—	329,800
Media services and printing	18,910	30,081	506,877	85	555,953	74,003	10,277	84,280	640,233
Professional fees	76,357	729,846	86,735	—	892,938	65,870	48,898	114,768	1,007,706
Office space and storage	132,603	78,692	68,930	3,393	283,618	37,734	32,216	69,950	353,568
Travel and education	121,761	120,830	37,683	3,057	283,331	25,803	23,647	49,450	332,781
Postage and delivery	87,281	49,944	67,518	2,370	207,113	19,927	16,920	36,847	243,960
Telephone and website	80,204	23,238	21,510	1,837	126,789	5,703	4,013	9,716	136,505
Legal fees and insurance	122,195	—	—	—	122,195	24,212	—	24,212	146,407
Training, meeting and conference	3,275	431,901	—	—	— 435,176	7,525	3,114 2,045	3,114 9,570	3,114 444,746
Office supplies/equipment	133,923	22,082	13,930	2,773	172,708	4,827	—	4,827	177,535
Bad debt expense	—	—	—	—	—	(814)	—	(814)	(814)
Recruitment	—	—	—	—	—	25,724	—	25,724	25,724
Depreciation	—	—	—	—	—	50	—	50	50
Total other expenses	3,808,625	1,906,144	1,186,683	99,315	7,000,767	290,564	141,130	431,694	7,432,461
Total functional expenses	$ 5,020,870	2,764,781	1,940,870	125,450	9,851,971	773,189	553,177	1,326,366	11,178,337

See accompanying notes to financial statements.

SAFE KIDS WORLDWIDE

Statements of Cash Flows

Years ended June 30, 2006 and 2005

		2006	2005
Cash flows from operating activities:			
(Decrease) increase in net assets	$	7,231,889	(1,000,503)
Adjustments to reconcile changes in net assets to net cash from operating activities:			
Depreciation		55,189	—
Change in assets and liabilities:			
Accounts receivable		(81,272)	(15,380)
Inventory		(82,913)	41,735
Prepaid other		12,928	(12,928)
Refunds due from affiliates		50,000	(50,000)
Grants and contributions receivable		(7,646,384)	4,393,453
Due from affiliates		787,640	(3,540,553)
Accounts payable		(183,764)	407,404
Due from SKW		—	(226,315)
Refundable grants		(50,000)	50,000
Accrued expenses and other current liabilities		98,198	(199)
Deferred payroll		—	—
Deferred grant revenue		(188,670)	78,426
Total adjustments		(7,229,048)	1,125,643
Net cash provided by operating activities		2,841	125,140
Cash flows from investing activities:			
Acquisition of equipment		—	(143,596)
Net cash used in investing activities		—	(143,596)
Cash flows to financing activities:			
Principal payments on capital leases		(11,696)	—
Net cash used in financing activities		(11,696)	—
Decrease in cash and cash equivalents		(8,855)	(18,456)
Cash and cash equivalents at beginning of year		61,514	79,970
Cash and cash equivalents at end of year	$	52,659	61,514

Noncash transactions:
Equipment acquired by assuming directly related capital leases in 2006 total $35,159.

See accompanying notes to financial statements.

(1) Organization

The Safe Kids Worldwide (formerly known as National SAFE KIDS Campaign) (Safe Kids) is a global network of organizations whose mission is to prevent accidental childhood injury, a leading killer of children 14 and under. The mission of Safe Kids is primarily focused in the following areas:

Community Health Services – activities conducted for the distribution of safety devices and hands-on training in the use of safety devices to families in need, and programs that mobilize the community to change the physical environment of the community;

Research, Training, and Technical Assistance – programs designed to improve the knowledge and skills of the public health community in prevention and intervention. This includes the administration of a national Child Passenger Safety Technician and Instructor Training in which registration fees are collected;

Public Education and Information – activities designed to raise awareness about unintentional injury and death and to promote effective safety practices for children. This includes child safety publications which are sold to coalitions and other non-profit organizations committed to child safety; and

Advocacy – activities designed to assist law enforcement officials in implementing laws that protect children against injury, and programs designed to raise lawmakers' awareness of the human and economic cost of unintentional injury to children.

Safe Kids is a nonprofit, wholly owned subsidiary of Children's National Medical Center (the Medical Center). Safe Kids changed its name from National SAFE KIDS by board amendment on February 15, 2005. Safe Kids has received a determination letter from the Internal Revenue Service indicating that it is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

(2) Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash

Safe Kids possesses three cash accounts, two with the specific purpose of disbursing grants to its coalitions and other affiliated organizations, and one as a depository, which is immediately transferred to Children's Hospital (the Hospital) another wholly owned subsidiary of the Medical Center. All cash is controlled and advanced by the Hospital. Cash disbursements and transfers made by the Hospital for Safe Kids are tracked through the due from/to affiliates account. See also note 6.

(c) Accounts Receivable

Accounts receivable consists of amounts due from organizations and individuals purchasing educational materials and child passenger safety certification course registrations from Safe Kids.

(d) Allowance for Doubtful Accounts

Management estimates the allowance for doubtful accounts utilizing historic data.

(e) Inventory

Safe Kids maintains an inventory of publications available for sale to the general public and its coalitions. Inventories are valued at the lower of cost or market. Inventory is accounted for on a first-in, first-out basis.

(f) Contributions

Unconditional promises to give cash and other assets are reported at fair value as contributions receivable at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise becomes unconditional. Gifts are reported as temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Temporarily restricted net assets at June 30, 2006 and 2005 are substantially for child passenger safety initiatives and all net assets released from restrictions are due to satisfaction of restrictions imposed by the donors.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of the amounts expected to be collected. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

(g) Federal Grants

Timing differences between expenditures and program reimbursements can exist at the beginning and end of the year for federal grants. The federal grant receivable balance at year-end represents an excess of reimbursable expenditures over cash receipts to date. Generally, accrued or deferred balances are caused by differences in the timing of cash receipts and expenditures and will be reversed in the remaining grant period.

(h) Other Operating Revenues

Other operating revenues represent funds received from publication sales and registrations from the child passenger safety technician certification program. Such amounts are recorded when earned.

(i) Temporarily Restricted Net Assets

All amounts received by donors for specific purposes or for use in specific future periods are considered temporarily restricted until a stipulated time restriction ends and/or until the purpose of the restriction is accomplished. When the donor restriction expires, temporarily restricted net assets are reported in the statement of financial activities as net assets released from restrictions.

(j) Reclassifications

Certain amounts in the 2005 financial statements have been reclassified to conform to the 2006 presentation.

(3) Contributions Receivable

As of June 30, 2006 and 2005, unconditional promises to give were as follows (in thousands):

		2006	2005
Less than one year	$	5,783	2,848
One to three years		5,683	—
Subtotal		11,466	2,848
Less discount to present value		(618)	—
Total		10,848	2,848
Less current contributions receivable		(5,783)	(2,848)
Noncurrent contributions receivable	$	5,065	—

Contributions receivable greater than one year in time are discounted using the risk free rate of return at the time the unconditional promise is received. The risk free rate of return being used is 5.125%. Amortization of the discount is recorded as additional contribution revenue.

In 2006, contributions in kind totaled $91 in logistic services provided by one donor.

(4) Equipment

Equipment at June 30, 2006 and 2005 consists of vehicles used in the car safety program and leased computer equipment. Depreciation expense is recorded using the straight-line method, which allocates the cost of the tangible property over an estimated useful life of three to five years.

As of June 30, 2006 and 2005, equipment was as follows (in thousands):

	2006	2005
Computer equipment	$ 35	—
Vehicles	144	144
Less accumulated depreciation and amortization	(55)	—
	$ 124	144

(5) Benefit Plan

Safe Kids participates in a defined contribution retirement plan that is available to substantially all employees of the Medical Center. Safe Kids makes contributions to the plan on behalf of each participant, based on the employee's level of contribution and length of service. The cost of the plan to Safe Kids was approximately $97,414 and $86,806 during 2006 and 2005, respectively.

(6) Related Party Transactions

As stated in note 2, the Hospital performs various functions on behalf of Safe Kids. Safe Kids employs no staff members independent of the Medical Center. Salary costs associated with the effort of individuals who function in Safe Kids activities are transferred to Safe Kids on the basis of actual effort. Benefit costs are allocated to Safe Kids based on the actual cost of benefits provided.

As of June 30, 2006 and 2005, amounts due from affiliates represent funds received by Safe Kids and transferred to the Hospital that have not yet been utilized by Safe Kids. These amounts are invested by the Hospital. The Hospital allocated interest income of $247,289 in 2006 and $272,182 in 2005 to Safe Kids related to temporarily restricted net assets whose investment return is restricted by the donor.

The Hospital performs various functions on behalf of Safe Kids including cash management, payroll processing, accounting and human resource services. The fair value of such services totaled $139,623 in 2006 and is recorded as contribution revenue and management and general expense in the accompanying financial statements.

Since the Medical Center can exercise discretion when determining costs and interest to allocate to Safe Kids, the financial position and operating results presented herein may not necessarily be indicative of those that would be obtained had Safe Kids operated autonomously.

Safe Kids Worldwide, Ltd. (SKW) a wholly owned for-profit subsidiary of the Medical Center was established in May 2003 to facilitate the expansion of Safe Kids programming to countries outside of the U.S.

(7) Concentrations of Credit Risk

During fiscal year 2006, Safe Kids received approximately 93% of total unrestricted and temporarily restricted contributions from four donors. During fiscal year 2005, Safe Kids received approximately 90% of total unrestricted and temporarily restricted contributions from three donors.

As of June 30, 2006, total contributions receivable consists of certain amounts due from two donors that comprise approximately 96% of total contributions receivable. As of June 30, 2005, total contributions receivable consists of certain amounts due from one donor that comprises approximately 85% of total contributions receivable.