

Safe Kids Worldwide

Financial Statements

June 30, 2010 and 2009

Safe Kids Worldwide
Index
June 30, 2010 and 2009

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets (Deficit)	3
Statements of Cash Flows	4
Notes to Financial Statements	5

Report of Independent Auditors

To the Board of Trustees of
Safe Kids Worldwide

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets (deficit) and cash flows present fairly, in all material respects, the financial position of Safe Kids Worldwide ("Safe Kids") at June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Safe Kids' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

January 10, 2011

Safe Kids Worldwide
Statements of Financial Position
June 30, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash	\$ 1,518,107	\$ 30,684
Accounts receivable, net of allowance for uncollectible accounts of \$9,845 and \$30,225 at June 30, 2010 and 2009, respectively	19,210	63,422
Prepaid and other expenses	111,955	64,053
Contributions receivable current, net	547,500	2,410,000
Federal grants receivable	145,907	59,036
Other receivables	1,008	-
Total current assets	2,343,687	2,627,195
Equipment, net	669,998	286,269
Contributions receivable long-term, net	-	4,546
Due from affiliates	3,621,249	3,197,297
Total assets	\$ 6,634,934	\$ 6,115,307
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 183,983	\$ 120,045
Capital lease obligations, current portion	2,202	4,925
Accrued expenses and other current liabilities	458,306	791,969
Deferred grant revenue	-	10,047
Total current liabilities	644,491	926,986
Due to affiliates	153,000	2,410,950
Capital lease obligations, net of current portion	1,417	3,446
Total liabilities	798,908	3,341,382
Net assets (deficit)		
Unrestricted	1,704,243	(2,837,918)
Temporarily restricted	4,131,783	5,611,843
Total net assets	5,836,026	2,773,925
Total liabilities and net assets	\$ 6,634,934	\$ 6,115,307

The accompanying notes are an integral part of these financial statements.

Safe Kids Worldwide
Statements of Activities and Changes in Net Assets (Deficit)
Years Ended June 30, 2010 and 2009

	2010	2009
Unrestricted net assets		
Unrestricted revenues, gains and other support		
Contributions	\$ 1,752,596	\$ 1,343,932
Grant revenue	399,794	548,684
Other operating revenues	1,196,054	1,302,667
Net assets released from restrictions used for operations	3,724,804	8,042,025
Total revenues, gains and other support	<u>7,073,248</u>	<u>11,237,308</u>
Expenses		
Program expenses		
Community health services	666,472	2,725,326
Research, training and technical assistance	2,468,110	4,428,879
Public education and information	2,093,003	2,463,670
Advocacy	533,378	490,304
Total program expenses	<u>5,760,963</u>	<u>10,108,179</u>
Supporting services expenses		
Management and general	2,969,797	3,365,158
Fundraising	664,647	1,057,730
Total supporting services expenses	<u>3,634,444</u>	<u>4,422,888</u>
Total expenses	<u>9,395,407</u>	<u>14,531,067</u>
Total operating loss	(2,322,159)	(3,293,759)
Forgiveness of intercompany payable	6,864,320	-
Increase/(decrease) in unrestricted net assets	<u>4,542,161</u>	<u>(3,293,759)</u>
Temporarily restricted net assets		
Contributions	2,523,225	7,537,449
Net assets released from restrictions used for operations	(3,724,804)	(8,042,025)
Net assets released from restrictions used for purchase of property, plant, and equipment	(278,481)	-
Decrease in temporarily restricted net assets	<u>(1,480,060)</u>	<u>(504,576)</u>
Increase/(decrease) in net assets	3,062,101	(3,798,335)
Net assets		
Beginning of year	<u>2,773,925</u>	<u>6,572,260</u>
End of year	<u>\$ 5,836,026</u>	<u>\$ 2,773,925</u>

The accompanying notes are an integral part of these financial statements.

Safe Kids Worldwide
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets (deficit)	\$ 3,062,101	\$ (3,798,335)
Adjustments to reconcile change in net assets (deficit) to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	142,270	48,269
Provision for bad debts	20,380	2,852
Change in assets and liabilities		
Accounts receivable	23,832	27,667
Inventory	-	290,628
Prepaid and other expenses	(47,902)	(48,957)
Federal grants and contributions receivable	1,780,175	785,481
Other receivables	(1,008)	-
Due from affiliates	(423,952)	3,078,648
Accounts payable	63,938	(487,957)
Accrued expenses and other current liabilities	(333,663)	115,039
Deferred grant revenue	(10,047)	(2,556)
Due to affiliates	(2,257,950)	-
Net cash and cash equivalents provided by operating activities	<u>2,018,174</u>	<u>10,779</u>
Cash flows from investing activities		
Acquisition of equipment	<u>(525,999)</u>	<u>(232,914)</u>
Net cash and cash equivalents used in investing activities	<u>(525,999)</u>	<u>(232,914)</u>
Cash flows from financing activities		
Principal payments on capital leases	<u>(4,752)</u>	<u>(11,603)</u>
Net cash and cash equivalents used in financing activities	<u>(4,752)</u>	<u>(11,603)</u>
Increase/(decrease) in cash and cash equivalents	1,487,423	(233,738)
Cash and cash equivalents		
Beginning of year	<u>30,684</u>	<u>264,422</u>
End of year	<u>\$ 1,518,107</u>	<u>\$ 30,684</u>

The accompanying notes are an integral part of these financial statements.

Safe Kids Worldwide

Notes to Financial Statements

June 30, 2010 and 2009

1. Organization

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. Safe Kids is a nonprofit, and is a controlled organization of Children's National Medical Center ("Children's National"). Safe Kids changed its name from National SAFE KIDS by board amendment on February 15, 2005. 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; 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 Worldwide, Ltd. ("SKW") a wholly owned for-profit subsidiary of Children's National was established in May 2003 to facilitate the expansion of Safe Kids programming to countries outside of the United States of America.

2. Significant Accounting Policies

Basis of Presentation

The financial statements of Safe Kids are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents include amounts invested in accounts with depository institutions which are readily convertible to cash, with original maturities of three months or less.

Safe Kids possess two cash accounts, one 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 Children's National. 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.

Accounts Receivable

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

Safe Kids Worldwide

Notes to Financial Statements

June 30, 2010 and 2009

Allowance for Doubtful Accounts

Management estimates the allowance for doubtful accounts utilizing historic data.

Income Taxes

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). As of June 30, 2010, Safe Kids does not have any uncertain tax positions.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, prepaid and other expenses, federal grants receivable, due from affiliates, accounts payable, accrued expenses and other current liabilities, and deferred grant revenue in the accompanying statements of financial position approximate fair value due to short-term nature of these items.

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 statements of activities as net assets released from restrictions. Contributions whose restrictions are met in the year received are recorded as unrestricted.

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.

Temporarily restricted net assets at June 30, 2010 are substantially for domestic pedestrian safety initiatives and all net assets released from restrictions are due to satisfaction of restrictions imposed by the donors.

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.

Other Operating Revenues

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

Unrestricted Net Assets (Deficit)

Unrestricted net assets (deficit) are those whose use by Safe Kids are not subject to donor-imposed stipulations.

Safe Kids Worldwide
Notes to Financial Statements
June 30, 2010 and 2009

Temporarily Restricted Net Assets

All amounts received from donors for specific purposes or for use in specific future period 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 activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. Safe Kids' policy is to record an impairment loss when it is determined that the carrying amount of the assets exceeds the sum of expected undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. Safe Kids has determined that no impairment exists as of and for the year ended June 30, 2010.

3. Contributions Receivable

As of June 30, unconditional promises to give were as follows:

	2010	2009
Less than one year	\$ 547,500	\$ 2,410,000
One to three years	-	5,000
Subtotal	<u>547,500</u>	<u>2,415,000</u>
Less discount and allowance	-	(454)
Total	547,500	2,414,546
Less current contributions receivable	<u>(547,500)</u>	<u>(2,410,000)</u>
Noncurrent contributions receivable	<u>\$ -</u>	<u>\$ 4,546</u>

Contributions receivable greater than one year in time are discounted using a rate commensurate with the risk involved at the date the unconditional promise is received.

Contributions in kind totaled \$44,266 and \$73,022 in 2010 and 2009, respectively, for delivery services provided by Federal Express.

Safe Kids Worldwide

Notes to Financial Statements

June 30, 2010 and 2009

4. Equipment

Equipment is recorded at cost and consists of vehicles used in the care safety program, leased computer equipment, and leasehold improvements associated with office space. 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 seven years. Equipment under capital lease obligations is amortized on the straight line method over the shorter period of the lease term or the estimated useful life of the assets. Such amortization is included in depreciation and amortization in the statement of activities.

As of June 30, equipment was as follows:

	2010	2009
Computer equipment	\$ 797,436	\$ 333,159
Leasehold improvements	51,066	51,066
Vehicles	95,731	143,596
Less accumulated depreciation and amortization	<u>(274,235)</u>	<u>(241,552)</u>
Total equipment, net	<u>\$ 669,998</u>	<u>\$ 286,269</u>

Depreciation and amortization was \$142,270 for the year ended June 30, 2010 and \$48,269 for the year ended June 30, 2009. Repairs and maintenance are expensed as incurred. During the year ended June 30, 2010, Safe Kids retired long-lived assets determined to have no future value and zero book value. The original cost and corresponding accumulated depreciation of these long lived assets was \$109,605. No proceeds from the retirement were received.

5. Benefit Plan

Safe Kids participates in a defined contribution retirement plan (the "Plan") that is available to substantially all employees of Children's National. 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 \$104,400 and \$97,000 during the fiscal years ended June 30, 2010 and 2009, respectively.

6. Leases

Safe Kids operates certain equipment under capital leases and is obligated under several operating leases. The operating leases are primarily for the rental of office space. Certain of these leases contain escalation clauses, with fixed-rate increases. Safe Kids has recorded a deferred rent liability of \$103,329 and \$67,113 as of June 30, 2010 and 2009, respectively, which is included in accrued expenses and other current liabilities in the accompanying statements of financial position.

Safe Kids Worldwide
Notes to Financial Statements
June 30, 2010 and 2009

Future minimum payments for the year ending June 30, 2010 are as follows:

	Operating Leases	Capital Leases
2011	\$ 618,152	\$ 2,202
2012	632,065	1,417
2013	654,226	-
2014	676,917	-
2015	692,198	-
Thereafter	349,976	-
Total future minimum payments	<u>\$ 3,623,534</u>	3,619
Less amount representing interest		<u>(390)</u>
Present value of net minimum lease payments		<u>\$ 3,229</u>

Rent expense was \$640,447 and \$617,996 in fiscal years 2010 and 2009, respectively.

7. Related Party Transactions

The Hospital performs various functions on behalf of Safe Kids. Safe Kids employs no staff members independent of Children's National. 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.

Due to affiliates, as of June 30, 2010, represents salary allocation of services provided by Children's National.

In fiscal year 2010, Children's National forgave an intercompany payable due to parent of \$6,864,320 and reflected the forgiveness as an increase to the unrestricted net asset of Safe Kids.

Since Children's National 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.

8. Concentrations of Credit Risk

During fiscal year 2010, Safe Kids received approximately 99% of total unrestricted and temporarily restricted contributions from three donors. During fiscal year 2009, Safe Kids received approximately 87% of total unrestricted and temporarily restricted contributions from three donors.

As of June 30, 2010, total contributions receivable consists of certain amounts due from 3 donors that comprise approximately 98% of total contributions receivable. As of June 30, 2009, total contribution receivable consists of certain amounts due from three donors that comprise approximately 99% of total contributions receivable.

Safe Kids Worldwide
Notes to Financial Statements
June 30, 2010 and 2009

9. Subsequent Events

Management has evaluated subsequent events through January 10, 2011, which is the date the financial statements were available to be issued.