KPMG

SAFE KIDS WORLDWIDE

Financial Statements

June 30, 2008 and 2007

(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 statements of financial position of Safe Kids Worldwide (Safe Kids) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Kids as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

June 26, 2009

SAFE KIDS WORLDWIDE

Statements of Financial Position

June 30, 2008 and 2007

Assets		2008	2007
Current assets:			
Cash	$	264,422	458,531
Accounts receivable, net of allowance for uncollectible accounts of $27,373 in 2008 and $5,638 in 2007		93,941	58,243
Prepaid and other expenses		15,096	316,142
Contributions receivable		2,918,700	4,408,493
Federal grants receivable		331,482	81,599
Inventory		290,628	234,618
Total current assets		3,914,269	5,557,626
Equipment, net		101,624	84,980
Contributions receivable, net		8,881	1,596,545
Due from affiliates		4,333,645	7,578,764
Total assets	$	8,358,419	14,817,915
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	$	608,002	1,218,294
Capital lease obligations		11,756	15,093
Accrued expenses and other current liabilities		676,930	635,950
Deferred grant revenue		12,603	—
Total current liabilities		1,309,291	1,869,337
Capital lease obligations		8,218	15,699
Total liabilities		1,317,509	1,885,036
Net assets:			
Unrestricted		1,145,154	1,114,364
Temporarily restricted		5,895,756	11,818,515
Total net assets		7,040,910	12,932,879
Total liabilities and net assets	$	8,358,419	14,817,915

See accompanying notes to financial statements.

SAFE KIDS WORLDWIDE

Statements of Activities

Years ended June 30, 2008 and 2007

		2008	2007
Unrestricted net assets:			
Unrestricted revenues, gains and other support:			
Contributions	$	1,120,942	1,479,497
Grant revenue		442,249	270,975
Other operating revenues		1,182,028	1,364,247
Net assets released from restrictions		9,765,316	8,962,468
Total contributions, revenue and support		12,510,535	12,077,187
Expenses:			
Program expenses:			
Community health services		3,045,224	2,958,542
Research, training and technical assistance		3,689,722	3,735,640
Public education and information		2,552,313	2,504,142
Advocacy		609,379	574,908
Total program expenses		9,896,638	9,773,232
Supporting services expenses:			
Management and general		1,698,170	1,944,966
Fund-raising		884,937	834,975
Total supporting services expenses		2,583,107	2,779,941
Total expenses		12,479,745	12,553,173
Increase (decrease) in unrestricted net assets		30,790	(475,986)
Temporarily restricted net assets:			
Contributions		3,970,144	5,874,547
Investment income (loss)		(127,587)	390,706
Net assets released from restrictions		(9,765,316)	(8,962,468)
Decrease in temporarily restricted net assets		(5,922,759)	(2,697,215)
Decrease in net assets		(5,891,969)	(3,173,201)
Net assets at beginning of year		12,932,879	16,106,080
Net assets at end of year	$	7,040,910	12,932,879

See accompanying notes to financial statements.

SAFE KIDS WORLDWIDE

Statement of Functional Expenses

Year ended June 30, 2008

	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 and benefits	$ 908,923	971,820	649,064	270,450	2,800,257	295,663	636,847	932,510	3,732,767
Temporary staff	938	6,433	18,410	6,170	31,951	84,931	8,307	93,238	125,189
Total payroll and related costs	909,861	978,253	667,474	276,620	2,832,208	380,594	645,154	1,025,748	3,857,956
Other expenses:									
Grants to affiliates	1,142,877	877,373	631,033	73,444	2,724,727	—	—	—	2,724,727
Safety devices and equipment	50,019	17,197	30,220	7,820	105,256	2,260	1	2,261	107,517
Media services and printing	266,520	289,685	310,028	32,543	898,776	4,616	12,774	17,390	916,166
Professional fees	249,608	801,778	441,465	116,002	1,608,853	665,175	107,839	773,014	2,381,867
Office space and storage	60,008	90,422	57,664	24,356	232,450	102,697	48,522	151,219	383,669
Travel and education	113,342	165,553	276,562	44,375	599,832	126,885	36,874	163,759	763,591
Postage and delivery	91,702	37,360	45,595	15,417	190,074	45,648	11,288	56,936	247,010
Telephone and website	10,830	33,972	12,155	3,081	60,038	46,665	2,725	49,390	109,428
Legal fees and insurance	—	382	7,643	1,529	9,554	44,594	—	44,594	54,148
Training, meeting, and conference	93,230	262,611	36,164	5,162	397,167	3,943	7,870	11,813	408,980
Office supplies/equipment	20,520	61,330	16,705	4,501	103,056	56,440	8,901	65,341	168,397
Bad debt expense	—	20,590	1,073	72	21,735	—	—	—	21,735
Other	—	532	109	36	677	2,675	36	2,711	3,388
Repairs and maintenance	812	40,111	1,303	463	42,689	7,219	431	7,650	50,339
Recruitment	—	—	9,075	—	9,075	198,671	—	198,671	207,746
Depreciation and amortization	35,895	12,573	8,045	3,958	60,471	10,088	2,522	12,610	73,081
Total other expenses	2,135,363	2,711,469	1,884,839	332,759	7,064,430	1,317,576	239,783	1,557,359	8,621,789
Total functional expenses	$ 3,045,224	3,689,722	2,552,313	609,379	9,896,638	1,698,170	884,937	2,583,107	12,479,745

See accompanying notes to financial statements.

SAFE KIDS WORLDWIDE

Statement of Functional Expenses

Year ended June 30, 2007

	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 and benefits	$ 618,736	1,001,028	811,618	251,524	2,682,906	916,030	430,256	1,346,286	4,029,192
Temporary staff	121	20,417	14,352	8,740	43,630	41,178	19,341	60,519	104,149
Total payroll and related costs	618,857	1,021,445	825,970	260,264	2,726,536	957,208	449,597	1,406,805	4,133,341
Other expenses:									
Grants to affiliates	1,017,589	694,746	847,796	76,169	2,636,300	—	—	—	2,636,300
Safety devices and equipment	76,669	21,650	2,039	3,101	103,459	—	—	—	103,459
Media services and printing	564,411	345,124	309,888	52,580	1,272,003	55,465	26,052	81,517	1,353,520
Professional fees	139,387	898,323	245,129	87,430	1,370,269	348,307	163,599	511,906	1,882,175
Office space and storage	63,155	92,646	56,978	24,304	237,083	102,670	48,224	150,894	387,977
Travel and education	166,273	148,349	67,266	24,808	406,696	68,179	32,023	100,202	506,898
Postage and delivery	71,714	60,795	46,648	19,238	198,395	74,195	34,849	109,044	307,439
Telephone and website	23,741	33,362	25,316	9,459	91,878	36,770	17,271	54,041	145,919
Legal fees and insurance	16,875	4,725	225	675	22,500	71,516	—	71,516	94,016
Training, meeting, and conference	52,067	323,396	2,497	2,197	380,157	504	237	741	380,898
Office supplies/equipment	107,564	71,367	69,160	9,826	257,917	21,051	9,888	30,939	288,856
Bad debt expense	—	—	—	—	—	178,505	—	178,505	178,505
Other	990	982	448	807	3,227	3,615	1,698	5,313	8,540
Repairs and maintenance	3,349	5,291	1,918	1,162	11,720	4,777	2,244	7,021	18,741
Recruitment	—	—	—	—	—	15,360	46,079	61,439	61,439
Depreciation and amortization	35,901	13,439	2,864	2,888	55,092	6,844	3,214	10,058	65,150
Total other expenses	2,339,685	2,714,195	1,678,172	314,644	7,046,696	987,758	385,378	1,373,136	8,419,832
Total functional expenses	$ 2,958,542	3,735,640	2,504,142	574,908	9,773,232	1,944,966	834,975	2,779,941	12,553,173

See accompanying notes to financial statements.

SAFE KIDS WORLDWIDE

Statements of Cash Flows

Years ended June 30, 2008 and 2007

		2008	2007
Cash flows from operating activities:			
Decrease in net assets	$	(5,891,969)	(3,173,201)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		73,081	65,150
Provision for bad debt		21,735	178,505
Change in assets and liabilities:			
Accounts receivable		(57,433)	(40,728)
Inventory		(56,010)	(24,435)
Prepaid and other expenses		301,046	(316,142)
Grants and contributions receivable		2,827,574	4,868,984
Due from affiliates		3,245,119	(1,702,984)
Accounts payable		(610,292)	937,703
Accrued expenses and other current liabilities		40,980	114,841
Deferred grant revenue		12,603	(482,586)
Net cash provided by (used in) operating activities		(93,566)	425,107
Cash flows from investing activities:			
Acquisition of equipment		(81,792)	—
Net cash used in investing activities		(81,792)	—
Cash flows from financing activities:			
Principal payments on capital leases		(18,751)	(19,235)
Net cash used in financing activities		(18,751)	(19,235)
Increase (decrease) in cash and cash equivalents		(194,109)	405,872
Cash and cash equivalents at beginning of year		458,531	52,659
Cash and cash equivalents at end of year	$	264,422	458,531

Noncash transactions:
Equipment acquired by assuming directly related capital leases totaled $7,933 in 2008 and $26,564 in 2007.

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 nonprofit 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 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 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 8.

(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.

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, 2008 and 2007 are substantially for child passenger safety initiatives and all net assets released from restrictions are due to satisfaction of restrictions imposed by the donors.

(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.

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(i) ***Temporarily Restricted Net Assets***

All amounts received from 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) ***FASB Interpretation No. 48 (FIN 48)***

In July 2007, Safe Kids adopted FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in tax provisions. FIN 48 requires that Safe Kids recognize the impact of an uncertain tax position in its financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. Safe Kids adopted FIN 48 during fiscal year 2008. The impact of adopting FIN 48 had no effect to the financial statements.

(3) Contributions Receivable

As of June 30, 2008 and 2007, unconditional promises to give were as follows:

		2008	2007
Less than one year	$	2,956,119	4,408,493
One to three years		8,881	1,765,000
Subtotal		2,965,000	6,173,493
Less discount to present value		(37,419)	(168,455)
Total		2,927,581	6,005,038
Less current contributions receivable		(2,918,700)	(4,408,493)
Noncurrent contributions receivable	$	8,881	1,596,545

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 ranges from 4.875% to 5.125%. Amortization of the discount is recorded as additional contribution revenue.

Contributions in kind totaled $84,390 and $74,049 in 2008 and 2007, respectively, of delivery services provided by Federal Express.

(4) Equipment

Equipment at June 30, 2008 and 2007 is recorded at cost and consists of vehicles used in the car 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 functional expenses.

As of June 30, 2008 and 2007, equipment was as follows:

		2008	2007
Computer equipment	$	100,244	61,722
Leasehold Improvements		51,066	—
Vehicles		143,596	143,596
Less accumulated depreciation and amortization		(193,282)	(120,338)
	$	101,624	84,980

Repairs and maintenance are expensed as incurred.

(5) Benefit Plan

Safe Kids participates in a defined contribution retirement plan ("the 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 $91,000 and $94,217 during 2008 and 2007, 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 $24,569 as of June 30, 2008, which is included in accrued expenses and other current liabilities in the accompanying balance sheet.

Future minimum payments for the years ending June 30 are as follows:

		Operating leases		Capital leases
2009	$	591,240		13,221
2010		604,548		5,475
2011		618,162		2,532
2012		632,076		1,266
2013		654,234		—
Thereafter		1,719,090		—
Total future minimum payments	$	4,819,350		22,494
Less amount representing interest				(2,520)
Present value of net minimum lease payments			$	19,974

(Continued)

Rent expense was $384,823 and $390,030 in fiscal years 2008 and 2007, respectively.

Equipment under capital leases as of June 30, 2008 and 2007 are as follows:

		2008	2007
Equipment	$	69,655	61,722
Less: accumulated depreciation		(45,126)	(24,468)
Equipment under capital leases, net	$	24,529	37,254

(7) 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 balance sheets approximate fair value due to the short-term nature of these items.

(8) 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, 2008 and 2007, amounts due from affiliates represent funds received by Safe Kids and transferred to the Hospital that have not yet been utilized by Safe Kids. Certain of these amounts are invested by the Hospital. The Hospital allocated investment losses of $127,587 in 2008 and investment income of $390,706 in 2007 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 $100,000 and $160,000 in 2008 and 2007, respectively, and is recorded as contribution revenue and management and general expense in the accompanying financial statements. During 2007, CNMC contributed approximately $699,324 to cover certain operating costs incurred by Safe Kids.

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.

(9) Concentrations of Credit Risk

During fiscal year 2008, Safe Kids received approximately 80% of total unrestricted and temporarily restricted contributions from three donors. During fiscal year 2007, Safe Kids received approximately 62% of total unrestricted and temporarily restricted contributions from three donors.

As of June 30, 2008, total contributions receivable consists of certain amounts due from two donors that comprise approximately 99% of total contributions receivable. As of June 30, 2007, total contributions receivable consists of certain amounts due from three donors that comprise approximately 96% of total contributions receivable.

(10) Subsequent Event

As noted in note 8, amounts due from affiliates represent funds received by Safe Kids and transferred to the Hospital that have not yet been utilized by Safe Kids. Certain of these amounts are invested by the Hospital. Recent market conditions have resulted in an unusually high degree of volatility and increased risks related to liquidity of certain investments held by the Hospital, which could impact the value of investments after the date of these financial statements.