

**Safe Kids Worldwide**  
**Financial Statements**  
**June 30, 2009**

**Safe Kids Worldwide**  
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**June 30, 2009**

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**Report of Independent Auditors**

To the Board of Trustees of  
Safe Kids Worldwide

In our opinion, the accompanying 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, 2009, and the results of its operations and its cash flows for the year 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 audit. We conducted our audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 10 to the financial statements, Safe Kids has restated its due from affiliates and net assets balances at June 30, 2008 from the amounts previously reported on by other auditors. We have audited the adjustment described in Note 10 that were applied to restate the June 30, 2008 due from affiliates and net assets balances. In our opinion, such adjustments are appropriate and have been properly applied. As the prior period financial statements have not been presented herein, the restatement has been effected as an adjustment to the July 1, 2008 due from affiliates and net assets balances.

*PricewaterhouseCoopers LLP*

June 17, 2010

**Safe Kids Worldwide**  
**Statement of Financial Position**  
**June 30, 2009**

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**Assets**

Current assets	
Cash	\$ 30,684
Accounts receivable, net of allowance for uncollectible accounts of \$30,225	63,422
Prepaid and other expenses	64,053
Contributions receivable, net	2,410,000
Federal grants receivable	59,036
Total current assets	<u>2,627,195</u>
Equipment, net	286,269
Contributions receivable, net	4,546
Due from affiliates	3,197,297
Total assets	<u>\$ 6,115,307</u>

**Liabilities and Net Assets (Deficit)**

Current liabilities	
Accounts payable	\$ 120,045
Capital lease obligations, current portion	4,925
Accrued expenses and other current liabilities	791,969
Deferred grant revenue	10,047
Total current liabilities	<u>926,986</u>
Due to affiliates	2,410,950
Capital lease obligations, net of current portion	3,446
Total liabilities	<u>3,341,382</u>
Net assets (deficit)	
Unrestricted	(2,837,918)
Temporarily restricted	5,611,843
Total net assets (deficit)	<u>2,773,925</u>
Total liabilities and net assets (deficit)	<u>\$ 6,115,307</u>

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

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

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**Unrestricted net assets**

Unrestricted revenues, gains and other support	
Contributions	\$ 1,343,932
Grant revenue	548,684
Other operating revenues	1,302,667
Net assets released from restrictions	<u>8,042,025</u>
Total revenues, gains and other support	<u>11,237,308</u>

**Expenses**

Program expenses	
Community health services	2,725,326
Research, training and technical assistance	4,428,879
Public education and information	2,463,670
Advocacy	<u>490,304</u>
Total program expenses	<u>10,108,179</u>

**Supporting services expenses**

Management and general	3,365,158
Fundraising	<u>1,057,730</u>
Total supporting services expenses	<u>4,422,888</u>
Total expenses	<u>14,531,067</u>
Decrease in unrestricted net assets	<u>(3,293,759)</u>

**Temporarily restricted net assets**

Contributions	7,537,449
Net assets released from restrictions	<u>(8,042,025)</u>
Decrease in temporarily restricted net assets	<u>(504,576)</u>
Decrease in net assets	<u>(3,798,335)</u>

**Net assets**

Beginning of year, as previously reported	7,040,910
Correction of an error (see Note 10)	<u>(468,650)</u>
Beginning of the year, as adjusted	<u>6,572,260</u>
End of year	<u>\$2,773,925</u>

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

**Safe Kids Worldwide**  
**Statement of Cash Flows**  
**Year Ended June 30, 2009**

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<b>Cash flows from operating activities</b>	
Decrease in net assets (deficit)	\$ (3,798,335)
Adjustments to reconcile decrease in net assets (deficit) to net cash and cash equivalents provided by operating activities	
Depreciation and amortization	48,269
Correction of an error (see Note 10)	(468,650)
Provision for bad debts	2,852
Change in assets and liabilities	
Accounts receivable	27,667
Inventory	290,628
Prepaid and other expenses	(48,957)
Grants and contributions receivable	785,481
Due from affiliates	3,547,298
Accounts payable	(487,957)
Accrued expenses and other current liabilities	115,039
Deferred grant revenue	(2,556)
Net cash and cash equivalents provided by operating activities	<u>10,779</u>
<b>Cash flows from investing activities</b>	
Acquisition of equipment	<u>(232,914)</u>
Net cash and cash equivalents used in investing activities	<u>(232,914)</u>
<b>Cash flows from financing activities</b>	
Principal payments on capital leases	<u>(11,603)</u>
Net cash and cash equivalents used in financing activities	<u>(11,603)</u>
Decrease in cash and cash equivalents	(233,738)
<b>Cash and cash equivalents</b>	
Beginning of year	<u>264,422</u>
End of year	<u>\$ 30,684</u>

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

**Safe Kids Worldwide**  
**Notes to Financial Statements**  
**June 30, 2009**

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**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 (the "Medical Center"). 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. 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 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.

**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 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.

**Accounts Receivable**

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

# Safe Kids Worldwide

## Notes to Financial Statements

### June 30, 2009

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#### **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, 2009, 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 balance sheets 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 statement of operations 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, 2009 are substantially for child passenger 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 publication sales and 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, 2009**

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**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, 2009.

**3. Contributions Receivable**

As of June 30, 2009, unconditional promises to give were as follows:

Less than one year	\$ 2,410,000
One to three years	5,000
Subtotal	<u>2,415,000</u>
Less discount and allowance	(454)
Total	<u>2,414,546</u>
Less current contributions receivable	<u>(2,410,000)</u>
Noncurrent contributions receivable	<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 \$73,022 in 2009 for delivery services provided by Federal Express.

**Safe Kids Worldwide**  
**Notes to Financial Statements**  
**June 30, 2009**

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**4. Equipment**

Equipment at June 30, 2009 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, 2009, equipment was as follows:

Computer equipment	\$ 333,159
Leasehold improvements	51,066
Vehicles	143,596
Less accumulated depreciation and amortization	<u>(241,552)</u>
	<u>\$ 286,269</u>

Depreciation and amortization was \$48,269 for the year ended June 30, 2009. 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 \$97,000 during the year ended June 30, 2009.

**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 \$67,113 as of June 30, 2009, which is included in accrued expenses and other current liabilities in the accompanying statement of financial position.

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Future minimum payments for the year ending June 30, 2009 are as follows:

	<b>Operating Leases</b>	<b>Capital Leases</b>
2010	\$ 604,548	\$ 4,925
2011	618,162	2,225
2012	632,076	1,221
2013	654,226	-
2014	676,920	-
Thereafter	<u>1,042,174</u>	<u>-</u>
Total future minimum payments	<u>\$ 4,228,106</u>	8,371
Less amount representing interest		<u>(1,072)</u>
Present value of net minimum lease payments		<u>\$ 7,299</u>

Rent expense was \$617,996 for the year ended June 30, 2009.

**7. Related Party Transactions**

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, 2009, 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 on behalf of Safe Kids.

Due to affiliates, as of June 30, 2009, represents primarily allocation of overhead for services provided by the Medical Center.

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.

**8. Concentrations of Credit Risk**

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

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

**Safe Kids Worldwide**  
**Notes to Financial Statements**  
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**9. Subsequent Events**

Management has evaluated subsequent events through June 17, 2010, which is the date the financial statements were available to be issued.

**10. Correction of an Error**

The financial statements as of and for the year ended June 30, 2008, not presented herein, were audited by other independent auditors, whose report dated June 26, 2008 expressed an unqualified opinion on those financial statements. Safe Kids has restated its June 30, 2008 financial statements to reflect assets incorrectly recorded in the net assets of Safe Kids. As a result of this correction, the following adjustments have been made to the previously reported on June 30, 2008 due from affiliates and net assets balances:

	<b>Balance as of June 30, 2008, as previously reported</b>	<b>Adjustment</b>	<b>Balance as of June 30, 2008, as restated</b>
Due from affiliates	\$4,333,645	(\$468,650)	\$3,864,995
Net assets	\$7,040,910	(\$468,650)	\$6,572,260

As the prior period financial statements have not been presented herein, the restatement has been effected as an adjustment to the July 1, 2008 net asset balance. This adjustment was audited in connection with the audit of the June 30, 2009 financial statements.