

**Safe Kids Worldwide**  
**Financial Statements**  
**June 30, 2012 and 2011**

**Safe Kids Worldwide**  
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**June 30, 2012 and 2011**

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## 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 and cash flows present fairly, in all material respects, the financial position of Safe Kids Worldwide ("Safe Kids") at June 30, 2012 and 2011, 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

November 9, 2012

**Safe Kids Worldwide**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

	2012	2011
<b>Assets</b>		
Current assets		
Cash	\$ 548,614	\$ 691,000
Accounts receivable, net of allowance for uncollectible accounts of \$4,601 and \$7,539 at June 30, 2012 and 2011, respectively	35,404	31,572
Prepaid and other expenses	124,208	130,167
Contributions receivable current, net	62,500	37,500
Federal grants receivable	324,098	636,766
Other receivables	57,239	18,522
Total current assets	<u>1,152,063</u>	<u>1,545,527</u>
Equipment, net	311,689	645,832
Due from affiliates	4,798,139	6,024,704
Total assets	<u>\$ 6,261,891</u>	<u>\$ 8,216,063</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 218,669	\$ 326,470
Capital lease obligations	-	1,417
Accrued expenses and other current liabilities	213,686	409,646
Deferred grant revenue	8,402	45,887
Total current liabilities	<u>440,757</u>	<u>783,420</u>
Due to affiliates	2,771,881	1,504,970
Other liabilities	310,288	210,213
Total liabilities	<u>3,522,926</u>	<u>2,498,603</u>
Net assets (deficit)		
Unrestricted	(2,121,674)	(344,744)
Temporarily restricted	4,860,639	6,062,204
Total net assets	<u>2,738,965</u>	<u>5,717,460</u>
Total liabilities and net assets	<u>\$ 6,261,891</u>	<u>\$ 8,216,063</u>

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, 2012 and 2011**

	2012	2011
<b>Unrestricted net assets</b>		
Unrestricted revenues, gains and other support		
Contributions	\$ 1,148,845	\$ 1,218,763
Grant revenue	1,268,681	1,152,712
Other operating revenues	1,782,844	1,341,469
Net assets released from restrictions used for operations	<u>7,011,437</u>	<u>5,491,490</u>
Total revenues, gains and other support	<u>11,211,807</u>	<u>9,204,434</u>
<b>Expenses</b>		
Program expenses		
Community health services	92,865	81,660
Research, training and technical assistance	3,289,070	3,019,779
Public education and information	6,042,513	5,309,490
Advocacy	<u>151,916</u>	<u>162,774</u>
Total program expenses	<u>9,576,364</u>	<u>8,573,703</u>
Supporting services expenses		
Direct management and general	946,836	1,540,939
Fundraising	<u>722,636</u>	<u>346,086</u>
Total direct supporting services expenses	<u>1,669,472</u>	<u>1,887,025</u>
Total direct expenses	<u>11,245,836</u>	<u>10,460,728</u>
Operating loss before corporate overhead expense	<u>(34,029)</u>	<u>(1,256,294)</u>
Corporate overhead expense	<u>1,742,901</u>	<u>1,742,901</u>
Total operating loss	<u>(1,776,930)</u>	<u>(2,999,195)</u>
<b>Other loss</b>		
Loss on disposal of fixed assets	-	<u>(5,433)</u>
Total other loss	<u>-</u>	<u>(5,433)</u>
Deficiency of revenues over expenses	<u>(1,776,930)</u>	<u>(3,004,628)</u>
Contribution received from HSC	-	955,641
Decrease in unrestricted net assets	<u>(1,776,930)</u>	<u>(2,048,987)</u>
<b>Temporarily restricted net assets</b>		
Contributions	5,809,872	7,283,767
Net assets released from restrictions used for operations	<u>(7,011,437)</u>	<u>(5,491,490)</u>
Net assets released from restrictions used for purchase of property, plant, and equipment	-	<u>(38,031)</u>
Contribution received from HSC	<u>-</u>	<u>176,175</u>
Increase/(decrease) in temporarily restricted net assets	<u>(1,201,565)</u>	<u>1,930,421</u>
Decrease in net assets	<u>(2,978,495)</u>	<u>(118,566)</u>
<b>Net assets</b>		
Beginning of year	5,717,460	5,836,026
End of year	<u>\$ 2,738,965</u>	<u>\$ 5,717,460</u>

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

**Safe Kids Worldwide**  
**Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	2012	2011
<b>Cash flows from operating activities</b>		
Change in net assets (deficit)	\$ (2,978,495)	\$ (118,566)
Adjustments to reconcile change in net assets (deficit) to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	334,143	310,726
Provision for bad debts	2,938	2,306
Change in assets and liabilities		
Accounts receivable	(6,770)	(14,668)
Prepaid and other expenses	5,959	(18,212)
Federal grants and contributions receivable	287,668	19,141
Other receivables	(38,717)	(17,514)
Due from affiliates	1,226,565	(2,403,455)
Accounts payable	(107,801)	142,487
Accrued expenses and other current liabilities	(195,960)	(48,660)
Deferred grant revenue	(37,485)	45,887
Due to affiliates	1,266,911	1,351,970
Other liabilities	100,075	210,213
Net cash and cash equivalents used in operating activities	<u>(140,969)</u>	<u>(538,345)</u>
<b>Cash flows from investing activities</b>		
Acquisition of equipment	<u>-</u>	<u>(286,560)</u>
Net cash and cash equivalents used in investing activities	<u>-</u>	<u>(286,560)</u>
<b>Cash flows from financing activities</b>		
Principal payments on capital leases	<u>(1,417)</u>	<u>(2,202)</u>
Net cash and cash equivalents used in financing activities	<u>(1,417)</u>	<u>(2,202)</u>
Decrease in cash and cash equivalents	(142,386)	(827,107)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>691,000</u>	<u>1,518,107</u>
End of year	<u>\$ 548,614</u>	<u>\$ 691,000</u>

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

**Safe Kids Worldwide**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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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 fourteen 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. On December 30, 2010, Safe Kids acquired Home Safety Council ("HSC"), a not-for-profit corporation established to educate the public on safety and injury prevention in and around the home. 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.

***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.

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**Acquisition of HSC**

Effective December 30, 2010, Safe Kids Worldwide became the sole member of HSC. HSC is a not-for-profit corporation established to educate the public on safety and injury prevention in and around the home. HSC was governed by a twelve member Board of Directors with representatives from business and nonprofit communities. No consideration was given for this transaction that was accounted for using the acquisition method of accounting, which requires all the assets and liabilities of HSC to be revalued at their fair value as of the acquisition date. The acquisition date fair values have been determined using independent appraisals for property and equipment. Since the fair value of HSC assets was larger than its liabilities, inherent contributions received would be recorded by Safe Kids. The table below discloses each major class of asset and liability at fair value as of December 30, 2010.

Cash	\$ 302,806
Accounts receivable	807,517
Property and equipment	257,778
Other assets	64,354
Total assets	1,432,455
Accounts payable and other current liabilities	49,160
Other liabilities	201,479
Total liabilities	250,639
Unrestricted Net Assets	955,641
Temporarily restricted Net Assets	226,175
Total net assets	\$ 1,181,816

**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 possesses three cash accounts, one with the specific purpose of disbursing grants to its coalitions and other affiliated organizations, one as a depository, which is immediately transferred to Children's Hospital (the "Hospital"), another wholly-owned subsidiary of Children's National, and one cash account from the HSC acquisition for the funding of outstanding antecedent liability related to HSC. 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.

**Allowance for Doubtful Accounts**

Management estimates the allowance for doubtful accounts utilizing historic data.



# Safe Kids Worldwide

## Notes to Financial Statements

### June 30, 2012 and 2011

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#### **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, 2012, 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 the 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. Amounts due are recorded at the net realizable value discounted using a rate of return that a market participant would expect to receive over the payment period at the date the pledge is received. Amounts deemed to be uncollectible have been written off. The contributions receivable balance is based on management's best estimate of the amounts expected to be collected. The amounts Safe Kids will ultimately realize could differ from the amounts assumed in arriving at the present value and allowance for doubtful accounts.

The 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 used for operations or used for construction and purchase of property and equipment. Contributions whose restrictions are met in the year received are recorded as unrestricted.

Temporarily restricted net assets at June 30, 2012, 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.

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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, 2012.

**Reclassifications**

Certain amounts from the prior year have been reclassified in order to conform to current year presentation.

**3. Contributions Receivable**

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

	2012	2011
Less than one year	\$ 62,500	\$ 37,500
One to three years	-	-
	<u>62,500</u>	<u>37,500</u>
Less: Discount and allowance	-	-
	<u>62,500</u>	<u>37,500</u>
Less: Current contributions receivable	<u>(62,500)</u>	<u>(37,500)</u>
Noncurrent contributions receivable	<u>\$ -</u>	<u>\$ -</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. There were no contributions receivable greater than one year as of June 30, 2012, and June 30, 2011.

Contributions in kind totaled \$75,626 and \$64,214 in 2012 and 2011, respectively, for delivery services provided by Federal Express.

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**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:

	2012	2011
Computer equipment	\$ 864,548	\$ 864,548
Leasehold improvements	229,555	229,555
Vehicles	128,314	128,314
Less: Accumulated depreciation and amortization	<u>(910,728)</u>	<u>(576,585)</u>
Total equipment, net	<u>\$ 311,689</u>	<u>\$ 645,832</u>

Depreciation and amortization was \$334,143 for the year ended June 30, 2012 and \$310,726 for the year ended June 30, 2011. Repairs and maintenance are expensed as incurred. There were no retirements of long-lived assets in 2012. During the year ended June 30, 2011, Safe Kids retired long-lived assets determined to have no future value. The original cost and corresponding accumulated depreciation of these long lived assets was \$18,310 and \$12,877, respectively. The losses related to this disposal were \$5,433. 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 \$88,763 and \$84,806 during the fiscal years ended June 30, 2012 and 2011, 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 \$310,288 and \$210,213 as of June 30, 2012 and 2011, respectively, which is included in accrued expenses and other current liabilities in the accompanying statements of financial position.

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Future minimum payments for the year ending June 30, 2012 are as follows:

	<b>Operating Leases</b>
2013	\$ 918,344
2014	947,645
2015	969,710
2016	372,040
2017	-
Thereafter	-
Total future minimum payments	<u>\$ 3,207,739</u>

Rent expense was \$1,022,556 and \$785,606 in fiscal years 2012 and 2011, respectively.

**7. Related Party Transactions**

Due to affiliates, as of June 30, 2012, represents salary allocation of services provided by Children's National, central business office functions, legal support and various strategic applications. The basis for this allocation of expenses was the cost allocation process similar to Medicare, with adjustments to reflect only the service utilized by Safe Kids. This methodology is consistent for all of the Children's National entities.

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.

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.

Due from affiliates, as of June 30, 2012, represents cash and investments held by the Hospital for restricted amounts related to Safe Kids donor contributions.

**8. Concentrations of Credit Risk**

During fiscal year 2012, Safe Kids received approximately 81% of total unrestricted and temporarily restricted contributions from three donors. During fiscal year 2011, Safe Kids received approximately 77% of total unrestricted and temporarily restricted contributions from three donors.

As of June 30, 2012, contributions receivable consisted of amounts due from one donor that comprise approximately 100% of total contributions receivable. As of June 30, 2011, total contributions receivable consists of certain amounts due from one donor that comprise approximately 100% of total contributions receivable.

**9. Subsequent Events**

Management has evaluated subsequent events through November 9, 2012, which is the date the financial statements were available to be issued.