Safe Kids Worldwide

Financial Statements

June 30, 2014 and 2013

Safe Kids Worldwide
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June 30, 2014 and 2013

Independent Auditor's Report

To the Board of Trustees of
Safe Kids Worldwide

We have audited the accompanying financial statements of Safe Kids Worldwide ("Safe Kids"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets (deficit) and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Safe Kids' preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Kids at June 30, 2014 and 2013, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 31, 2014

Safe Kids Worldwide
Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash	$ 697,392	$ 697,864
Accounts receivable, net of allowance for uncollectible accounts of $8,229 and $9,005 as of June 30, 2014 and 2013, respectively	44,086	32,780
Prepaid and other expenses	98,550	50,024
Contributions receivable current, net	795,000	37,500
Federal grants receivable	283,640	100,955
Other receivables	47,659	56,426
Total current assets	1,966,327	975,549
Equipment, net	79,388	138,548
Intangible assets, net	21,000	27,000
Contributions receivable, net	115,000	-
Due from affiliates	3,333,130	3,667,378
Total assets	$ 5,514,845	$ 4,808,475
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 171,271	$ 49,128
Accrued expenses and other current liabilities	609,354	676,174
Deferred grant revenue	8,402	8,402
Total current liabilities	789,027	733,704
Due to affiliates	-	2,199,579
Other liabilities	193,422	259,796
Total liabilities	982,449	3,193,079
Net assets (deficit)		
Unrestricted	289,266	(2,089,482)
Temporarily restricted	4,243,130	3,704,878
Total net assets	4,532,396	1,615,396
Total liabilities and net assets	$ 5,514,845	$ 4,808,475

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, 2014 and 2013

	2014	2013
Unrestricted net assets		
Revenues, gains and other support		
Contributions	$ 1,890,665	$ 1,596,356
Grant revenue	212,863	533,273
Other operating revenues	1,680,321	1,616,898
Net assets released from restrictions used for operations	6,998,571	7,649,231
Total revenues, gains and other support	10,782,420	11,395,758
Expenses		
Program expenses		
Community health services	357,838	204,355
Research, training and technical assistance	2,153,362	2,567,320
Public education and information	6,078,431	6,678,480
Advocacy	247,636	200,387
Total program expenses	8,837,267	9,650,542
Supporting services expenses		
Direct management and general	881,200	605,153
Fundraising	728,096	734,294
Total direct supporting services expenses	1,609,296	1,339,447
Total direct expenses	10,446,563	10,989,989
Operating gains before corporate overhead expense	335,857	405,769
Corporate overhead expense	335,856	386,707
Total operating gain	1	19,062
Other gains		
Gain on disposal of fixed assets	-	13,130
Total other gains	-	13,130
Excess of revenues over expenses	1	32,192
Gain on forgiveness of due to affiliates	2,378,747	-
Increase in unrestricted net assets	2,378,748	32,192
Temporarily restricted net assets		
Contributions	7,536,823	6,493,470
Net assets released from restrictions used for operations	(6,998,571)	(7,649,231)
Increase/(decrease) in temporarily restricted net assets	538,252	(1,155,761)
Increase/(decrease) in net assets	2,917,000	(1,123,569)
Net assets		
Beginning of year	1,615,396	2,738,965
End of year	$ 4,532,396	$ 1,615,396

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

Safe Kids Worldwide
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets (deficit)	$ 2,917,000	$ (1,123,569)
Adjustments to reconcile change in net assets (deficit) to net cash and cash equivalents used in/(provided by) operating activities		
Depreciation and amortization	65,160	164,271
Provision for bad debts	5,964	5,079
Gain on forgiveness of due to affiliate	(2,378,747)	
Gain on disposal of equipment	-	(13,130)
Change in assets and liabilities		
Accounts receivable	(17,270)	(2,455)
Prepaid and other expenses	(48,526)	74,184
Federal grants and contributions receivable	(1,055,186)	248,143
Other receivables	8,767	813
Due from affiliates	334,248	1,130,761
Accounts payable	122,143	(169,541)
Accrued expenses and other current liabilities	(66,820)	311,252
Due to affiliates	179,168	(572,302)
Other liabilities	(66,373)	(50,493)
Net cash and cash equivalents used in/(provided by) operating activities	(472)	3,013
Cash flows from investing activities		
Proceeds from disposal of equipment	-	25,000
Acquisition of intangible	-	(30,000)
Net cash and cash equivalents used in investing activities	-	(5,000)
Decrease in cash and cash equivalents	(472)	(1,987)
Cash and cash equivalents		
Beginning of year	697,864	699,851
End of year	$ 697,392	$ 697,864

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

1. Organization

Safe Kids Worldwide ("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. 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.

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
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.

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, 2014 and 2013, 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, 2014 and 2013 are substantially for pedestrian safety, car passenger safety, and home 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 and lease revenue. 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.

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, 2014 and 2013.

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:

	2014	2013
Less than one year	$ 795,000	$ 37,500
One to three years	115,000	-
	$ 910,000	$ 37,500

Contributions in kind totaled $75,414 and $56,847 in 2014 and 2013, respectively, for delivery services provided by Federal Express.

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:

	2014	2013
Computer equipment	$ 843,158	$ 843,158
Leasehold improvements	250,945	250,945
Vehicles	95,730	95,730
Less: Accumulated depreciation	(1,110,445)	(1,051,285)
Total equipment, net	$ 79,388	$ 138,548

Depreciation was $59,160 for the year ended June 30, 2014 and $164,271 for the year ended June 30, 2013. Repairs and maintenance are expensed as incurred. There were no retirements of long-lived assets in 2014. During the year ended June 30, 2014, Safe Kids did not sell any long-lived assets. During the year ended June 30, 2013, Safe Kids sold long-lived assets. The original cost and corresponding accumulated depreciation of these long lived assets was $32,583 and $20,713, respectively. The gains related to this sale were $13,130. Proceeds of $25,000 from the sale were received.

5. Intangible Assets

Safe Kids acquired an intangible asset relating to its trade logo for $30,000 in fiscal year ended June 30, 2013. The trade logo is being amortized using the straight-line method over its estimated useful life of 5 years. Amortization expense was approximately $6,000 and $3,000 during the fiscal years ended June 30, 2014 and 2013, respectively.

6. 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 $111,868 and $84,550 during the fiscal years ended June 30, 2014 and 2013, respectively.

7. Leases

Safe Kids 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 $193,422 and $259,796 as of June 30, 2014 and 2013, respectively, which is included in accrued expenses and other current liabilities in the accompanying statements of financial position.

Future minimum payments for the year ending June 30, 2014 are as follows:

	Operating Leases
2015	$ 969,710
2016	372,040
2017	-
2018	-
2019	-
Thereafter	-
Total future minimum payments	$ 1,341,750

Rent expense was $929,793 and $912,667 in fiscal years 2014 and 2013, respectively.

8. Related Party Transactions

Due to affiliates, as of June 30, 2014 and 2013, 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.

In fiscal year 2014, Children's National forgave an intercompany payable due to the parent of $2,378,747 and reflected the forgiveness as an increase to the unrestricted net assets 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.

Due from affiliates, as of June 30, 2014 and 2013, represents cash and investments held by the Hospital for restricted amounts related to Safe Kids donor contributions.

9. Concentrations of Credit Risk

During fiscal year 2014, Safe Kids received approximately 79% of total unrestricted and temporarily restricted contributions from three donors. During fiscal year 2013, Safe Kids received approximately 68% of total unrestricted and temporarily restricted contributions from three donors.

Contributions receivable consisted of amounts due from five donors and one donor that comprise approximately 100% of total contributions receivable, as of June 30, 2014 and 2013, respectively.

10. Subsequent Events

Management has evaluated subsequent events through October 31, 2014, which is the date the financial statements were available to be issued.