Safe Kids Worldwide
Financial Statements
June 30, 2018

Safe Kids Worldwide
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Report of Independent Auditors

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 statement of financial position as of June 30, 2018 and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Kids Worldwide as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 5, 2018

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Safe Kids Worldwide
Statement of Financial Position
June 30, 2018

Assets		
Current assets		
Accounts receivable, net of allowance for uncollectible accounts of $42,497 as of June 30, 2018	$	71,899
Prepaid and other expenses		36,057
Contributions receivable current, net		2,616,508
Federal grants receivable		61,416
Due from affiliates		2,634,035
Total current assets		5,419,915
Property and equipment, net		1,095,082
Total assets	$	6,514,997
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$	105,694
Accrued salaries, expenses and other current liabilities		332,776
Total current liabilities		438,470
Deferred rent		1,860,338
Total liabilities		2,298,808
Net assets		
Unrestricted		218,899
Temporarily restricted		3,997,290
Total net assets		4,216,189
Total liabilities and net assets	$	6,514,997

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

Safe Kids Worldwide
Statement of Activities
Year Ended June 30, 2018

Unrestricted net assets	
Revenues, gains and other support	
Contributions and grant revenue	$ 1,412,642
Other operating revenues	1,597,512
Net assets released from restrictions used for operations	7,677,604
Total revenues, gains and other support	10,687,758
Expenses	
Program expenses	
Community health services	551,009
Research, training and technical assistance	2,319,911
Public education and information	5,877,887
Advocacy	259,636
Total program expenses	9,008,443
Supporting services expenses	
Direct management and general	779,767
Fundraising	706,519
Total supporting services expenses	1,486,286
Total expenses	10,494,729
Operating gains before corporate overhead expense	193,029
Corporate overhead expense	186,707
Total operating gain (change in unrestricted net assets)	6,322
Temporarily restricted net assets	
Contributions	6,464,259
Loss from pledge write offs	(500,000)
Net assets released from restrictions used for operations	(7,677,604)
Decrease in temporarily restricted net assets	(1,713,345)
Changes in net assets	(1,707,023)
Net assets	
Beginning of year	5,923,212
End of year	$ 4,216,189

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

Safe Kids Worldwide
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from operating activities	
Change in net assets	$ (1,707,023)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	107,057
Provision for bad debts	18,300
Provision for/(recovery of) uncollectible contributions receivables	(37,044)
Loss from pledge write offs	500,000
Change in assets and liabilities	
Accounts receivable	(19,016)
Prepaid and other expenses	97,743
Federal grants	(28,599)
Contributions receivable	808,000
Accounts payable	(88,635)
Accrued salaries, expenses and other current liabilities	(196,181)
Deferred rent	(42,714)
Net cash used in operating activities	(588,112)
Cash flows from investing activities	
Loans to affiliates	588,112
Purchases of property and equipment	-
Net cash provided by investing activities	588,112
Change in cash	-
Cash	
Beginning of year	-
End of year	$ -

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

1. Organization

Safe Kids Worldwide ("Safe Kids") is a global organization dedicated to preventing injuries in children, the number one cause of death of kids in the United States. Around the world, a child dies from an unintentional injury every 30 seconds, and millions of children are injured in ways that can affect them for a lifetime.

Safe Kids is a non-profit, and is a controlled organization of Children's National Medical Center ("Children's National"). 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 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 which may result in a book overdraft due to timing. The book overdraft, which is included in accrued salaries, expenses and other current liabilities on the Statement of Financial Position, was $61,773 as of June 30, 2018.

Accounts Receivable
Accounts receivable consists 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 and management's judgement. Actual results could differ from these estimates.

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).

The Financial Accounting Standards Board's ("FASB") guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. This guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. As of June 30, 2018, 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 and Grants Receivable

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, 2018 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.

Safe Kids receives various grants from Federal Government agencies for the purpose of furthering its mission. Grants are recognized as support and the related costs are recorded as expenses when services related to grants are incurred. Federal grant revenue was $238,864 for the year ended June 30, 2018.

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 grant and contract revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or the contract. A receivable is recorded when revenue earned under a grant or contract exceeds the cash received.

Deferred Rent
Rent is recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the statements of financial position. In addition, deferred rent includes landlord incentives on a portion of the leasehold improvement cost, which is amortized over the life of the lease.

New Accounting Pronouncements
In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2018. Safe Kids is evaluating the impact this will have on the financial statements beginning in fiscal year 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases.* The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Safe Kids is evaluating the impact this standard will have on the financial statements and disclosures beginning in fiscal year 2021.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new guidance requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantor, creditors and other users. The standard is effective for fiscal years beginning after December 15, 2017. Safe Kids is evaluating the impact of this standard on the financial statements beginning in fiscal year 2019.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows with the intent to alleviate diversity in practice. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Safe Kids is currently evaluating the impact of this update on the Statements of Cash Flows beginning in fiscal year 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which clarifies the classification and presentation of changes in restricted cash in the statement of cash flows. The guidance requires reporting entities to explain the changes in the combined total of restricted and unrestricted cash and cash equivalent balances in the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Safe Kids is currently evaluating the impact of this update on the Statements of Cash Flows beginning in fiscal year 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard applies to all entities that receive or make contributions. The guidance clarifies the definition of transactions accounted for as an exchange transaction subject to ASU 2014-09 or other applicable guidance, and transactions that should be accounted for as contributions (non-exchange) subject to the contribution accounting model. Further, the guidance provides criteria for evaluating whether contributions are unconditional or conditional. Conditional contributions must specify a barrier that the recipient must overcome and a right of return that releases the donor from its obligation if the barrier is not achieved, otherwise the contribution is unconditional. The update is effective for fiscal years beginning after December 31, 2018, with early adoption permitted. Safe Kids is evaluating the impact of this standard on the financial statements beginning in fiscal year 2020.

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
Unrestricted net assets 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, 2018.

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:

		2018
Less than one year	$	2,617,500
Less: Allowance for uncollectible contributions		(992)
Contribution receivable, net	$	2,616,508

Contributions in kind totaled $87,180 in 2018 for delivery and travel services. Conditional pledges, which are not accrued, approximate $4,500,000 at June 30, 2018, of which approximately $672,000 was unrestricted as to purpose.

4. Property and Equipment, net

Property and Equipment is recorded at cost and consists of vehicles used in the child passenger 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 eleven years.

As of June 30, equipment was as follows:

		2018
Computer equipment	$	811,985
Leasehold improvements		1,318,051
Vehicles		95,730
Less: Accumulated depreciation		(1,130,684)
Total property and equipment, net	$	1,095,082

Depreciation was $104,057 for the year ended June 30, 2018. Repairs and maintenance are expensed as incurred. During the year ended June 30, 2018, Safe Kids retired $282,118 of fully depreciated assets. No cash proceeds were received from the disposal.

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 $3,000 during the fiscal year ended June 30, 2018. The intangible asset was fully amortized as of June 30, 2018.

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 $98,035 during the fiscal year ended June 30, 2018.

7. Leases

Safe Kids is obligated under one operating lease for rental of office space and incurs various storage rental fees that are based on short-term agreements. This office lease contains escalation clauses, with fixed-rate increases.

Future minimum payments for the year ending June 30, 2018 are as follows:

	Operating Leases
2019	$ 710,734
2020	728,564
2021	746,834
2022	765,543
2023	784,691
2024 and thereafter	3,486,487
Total future minimum payments	$ 7,222,853

Rent expense was $751,758 during fiscal year 2018.

8. Related Party Transactions

Due to affiliates, as of June 30, 2018, represents the salary allocation of services provided by Children's National's central business office functions, legal support, and various strategic applications. The basis for this allocation of expenses was a 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, 2018, represents cash and investments held by the Hospital for restricted amounts related to Safe Kids' donor contributions and unrestricted cash which can be used in fulfilling operational needs in the upcoming year.

9. Concentrations of Credit Risk

During fiscal year 2018, Safe Kids received approximately 89% of total unrestricted and temporarily restricted contributions from five donors.

Contributions receivable consisted of amounts due from four donors that comprise approximately 100% of total contributions receivable as of June 30, 2018.

10. Subsequent Events

Management has evaluated subsequent events through October 5, 2018 which is the date the financial statements were issued.