

# **Safe Kids Worldwide**

**Financial Statements**  
**June 30, 2015 and 2014**

**Safe Kids Worldwide**  
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**June 30, 2015 and 2014**

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## 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, 2015 and 2014, and the related statements of activities and changes in net assets 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.

### ***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, 2015 and 2014, and the results of its operations and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

October 30, 2015

**Safe Kids Worldwide**  
**Statements of Financial Position**  
**June 30, 2015 and 2014**

	2015	2014
<b>Assets</b>		
Current assets		
Cash	\$ -	\$ 697,392
Accounts receivable, net of allowance for uncollectible accounts of \$5,190 and \$8,229 as of June 30, 2015 and 2014, respectively	46,708	44,086
Prepaid and other expenses	210,708	98,550
Contributions receivable current, net	2,241,944	795,000
Federal grants receivable	199,320	283,640
Due from affiliates	5,001,811	3,333,130
Other receivables	18,522	47,659
Total current assets	<u>7,719,013</u>	<u>5,299,457</u>
Equipment, net	24,906	79,388
Intangible assets, net	15,000	21,000
Contributions receivable, net	1,609,912	115,000
Total assets	<u>\$ 9,368,831</u>	<u>\$ 5,514,845</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 237,607	\$ 171,271
Accrued expenses and other current liabilities	571,094	609,354
Deferred grant revenue	8,402	8,402
Total current liabilities	<u>817,103</u>	<u>789,027</u>
Other liabilities	95,458	193,422
Total liabilities	<u>912,561</u>	<u>982,449</u>
Net assets		
Unrestricted	289,267	289,266
Temporarily restricted	8,167,003	4,243,130
Total net assets	<u>8,456,270</u>	<u>4,532,396</u>
Total liabilities and net assets	<u>\$ 9,368,831</u>	<u>\$ 5,514,845</u>

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

**Safe Kids Worldwide**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2015 and 2014**

	2015	2014
<b>Unrestricted net assets</b>		
Revenues, gains and other support		
Contributions	\$ 2,108,848	\$ 1,890,665
Grant revenue	149,210	212,863
Other operating revenues	1,685,470	1,680,321
Net assets released from restrictions used for operations	7,701,968	6,998,571
Total revenues, gains and other support	<u>11,645,496</u>	<u>10,782,420</u>
<b>Expenses</b>		
Program expenses		
Community health services	221,302	357,838
Research, training and technical assistance	2,407,510	2,153,362
Public education and information	7,031,076	6,078,431
Advocacy	249,132	247,636
Total program expenses	<u>9,909,020</u>	<u>8,837,267</u>
Supporting services expenses		
Direct management and general	860,395	881,200
Fundraising	689,373	728,096
Total direct supporting services expenses	<u>1,549,768</u>	<u>1,609,296</u>
Total direct expenses	<u>11,458,788</u>	<u>10,446,563</u>
Operating gains before corporate overhead expense	<u>186,708</u>	<u>335,857</u>
Corporate overhead expense	186,707	335,856
Total operating gain	1	1
Excess of revenues over expenses	1	1
Gain on forgiveness of due to affiliates	-	2,378,747
Increase in unrestricted net assets	<u>1</u>	<u>2,378,748</u>
<b>Temporarily restricted net assets</b>		
Contributions	11,625,841	7,536,823
Net assets released from restrictions used for operations	(7,701,968)	(6,998,571)
Increase in temporarily restricted net assets	<u>3,923,873</u>	<u>538,252</u>
Increase in net assets	<u>3,923,874</u>	<u>2,917,000</u>
<b>Net assets</b>		
Beginning of year	<u>4,532,396</u>	<u>1,615,396</u>
End of year	<u>\$ 8,456,270</u>	<u>\$ 4,532,396</u>

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

**Safe Kids Worldwide**  
**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

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	2015	2014
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,923,874	\$ 2,917,000
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	60,482	65,160
(Recovery of)/Provision for bad debts	(2,079)	5,964
Provision for uncollectible contributions receivables	58,121	-
Discount on contributions receivable	43,859	-
Gain on forgiveness of due to affiliate	-	(2,378,747)
Change in assets and liabilities		
Accounts receivable	(543)	(17,270)
Prepaid and other expenses	(112,158)	(48,526)
Federal grants	84,320	(182,685)
Contributions receivable	(3,043,836)	(872,501)
Other receivables	29,137	8,767
Due from affiliates	(1,668,681)	334,248
Accounts payable	66,336	122,143
Accrued expenses and other current liabilities	(38,260)	(66,820)
Due to affiliates	-	179,168
Other liabilities	(97,964)	(66,373)
Net cash used in operating activities	<u>(697,392)</u>	<u>(472)</u>
Decrease in cash	(697,392)	(472)
<b>Cash</b>		
Beginning of year	697,392	697,864
End of year	<u>\$ -</u>	<u>\$ 697,392</u>

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

# Safe Kids Worldwide

## Notes to Financial Statements

### June 30, 2015 and 2014

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#### 1. Organization

Safe Kids Worldwide (“Safe Kids”) is a global organization dedicated to preventing injuries in children, the number one killer 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 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 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 accounts payable and accrued expenses on the Statement of Financial Position was \$152,861 and \$64,922 as of June 30, 2015 and 2014, respectively.

##### **Accounts Receivable**

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

# Safe Kids Worldwide

## Notes to Financial Statements

### June 30, 2015 and 2014

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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, 2015 and 2014, 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 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, 2015 and 2014 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.

#### **New Accounting Pronouncements**

In May 2014, the FASB issued a standard on 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.



# Safe Kids Worldwide

## Notes to Financial Statements

### June 30, 2015 and 2014

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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 Worldwide is evaluating the impact this will have on the combined 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, 2015 and 2014.

#### **Reclassifications**

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

**Safe Kids Worldwide**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

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**3. Contributions Receivable**

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

	<b>2015</b>	<b>2014</b>
Less than one year	\$ 2,275,392	\$ 795,000
One to five years	1,678,444	115,000
	<u>3,953,836</u>	<u>910,000</u>
Less: Discount	(43,859)	-
Allowance for uncollectible contributions	(58,121)	-
Contribution receivable, net	<u>\$ 3,851,856</u>	<u>\$ 910,000</u>

Contributions in kind totaled \$149,220 and \$75,414 in 2015 and 2014, respectively, for delivery and travel services.

**4. Equipment**

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 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:

	<b>2015</b>	<b>2014</b>
Computer equipment	\$ 843,158	\$ 843,158
Leasehold improvements	250,945	250,945
Vehicles	95,730	95,730
Less: Accumulated depreciation	<u>(1,164,927)</u>	<u>(1,110,445)</u>
Total equipment, net	<u>\$ 24,906</u>	<u>\$ 79,388</u>

Depreciation was \$54,482 for the year ended June 30, 2015 and \$59,160 for the year ended June 30, 2014. Repairs and maintenance are expensed as incurred. There were no retirements of long-lived assets in 2015 and 2014. During the years ended June 30, 2015 and 2014, Safe Kids did not sell any long-lived assets.

**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 during the fiscal years ended June 30, 2015 and 2014.

# Safe Kids Worldwide

## Notes to Financial Statements

### June 30, 2015 and 2014

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#### 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 \$110,187 and \$111,868 during the fiscal years ended June 30, 2015 and 2014, respectively.

#### 7. Leases

Safe Kids is obligated under two operating leases. The operating leases are 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 \$95,458 and \$193,422 as of June 30, 2015 and 2014, 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, 2015 are as follows:

	<b>Operating Leases</b>
2016	\$ 464,432
2017	36,753
2018	-
2019	-
2020	-
Thereafter	-
Total future minimum payments	<u>\$ 501,185</u>

Rent expense was \$775,190 and \$929,793 in fiscal years 2015 and 2014, respectively.

#### 8. Related Party Transactions

Due to affiliates, as of June 30, 2015 and 2014, 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. No similar forgiveness occurred in fiscal year 2015.

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.

**Safe Kids Worldwide**  
**Notes to Financial Statements**  
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Due from affiliates, as of June 30, 2015 and 2014, represents cash and investments held by the Hospital for restricted amounts related to Safe Kids donor contributions to be used in fulfilling operational needs in the upcoming year.

**9. Concentrations of Credit Risk**

During fiscal year 2015, Safe Kids received approximately 78% of total unrestricted and temporarily restricted contributions from four donors. During fiscal year 2014, Safe Kids received approximately 79% 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, 2015 and 2014, respectively.

**10. Subsequent Events**

Management has evaluated subsequent events through October 30, 2015, which is the date the financial statements were available to be issued.