Safe Kids Worldwide

Financial Statements
June 30, 2011 and 2010

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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, 2011 and 2010, 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.

PricewaterhouseCoopers LLP

November 2, 2011

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Safe Kids Worldwide
Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash	$ 691,000	$ 1,518,107
Accounts receivable, net of allowance for uncollectible accounts of $7,539 and $9,845 at June 30, 2011 and 2010, respectively	31,572	19,210
Prepaid and other expenses	130,167	111,955
Contributions receivable current, net	37,500	547,500
Federal grants receivable	636,766	145,907
Other receivables	18,522	1,008
Total current assets	1,545,527	2,343,687
Equipment, net	645,832	669,998
Due from affiliates	6,024,704	3,621,249
Total assets	$ 8,216,063	$ 6,634,934
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 326,470	$ 183,983
Capital lease obligations, current portion	1,417	2,202
Accrued expenses and other current liabilities	619,859	458,306
Deferred grant revenue	45,887	-
Total current liabilities	993,633	644,491
Due to affiliates	1,504,970	153,000
Capital lease obligations, net of current portion	-	1,417
Total liabilities	2,498,603	798,908
Net assets (deficit)		
Unrestricted	(344,744)	1,704,243
Temporarily restricted	6,062,204	4,131,783
Total net assets	5,717,460	5,836,026
Total liabilities and net assets	$ 8,216,063	$ 6,634,934

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, 2011 and 2010

	2011	2010
Unrestricted net assets		
Unrestricted revenues, gains and other support		
Contributions	$ 1,218,763	$ 1,752,596
Grant revenue	1,152,712	399,794
Other operating revenues	1,341,469	1,196,054
Net assets released from restrictions used for operations	5,491,490	3,724,804
Total revenues, gains and other support	9,204,434	7,073,248
Expenses		
Program expenses		
Community health services	962,328	666,472
Research, training and technical assistance	3,321,920	2,468,110
Public education and information	3,676,905	2,093,003
Advocacy	668,110	533,378
Total program expenses	8,629,263	5,760,963
Supporting services expenses		
Management and general	3,221,515	2,969,797
Fundraising	352,851	664,647
Total supporting services expenses	3,574,366	3,634,444
Total expenses	12,203,629	9,395,407
Total operating loss	(2,999,195)	(2,322,159)
Other loss		
Loss on disposal of fixed assets	(5,433)	-
Total other loss	(5,433)	-
Deficiency of revenues over expenses	(3,004,628)	(2,322,159)
Forgiveness of intercompany payable	-	6,864,320
Contribution received from HSC	955,641	-
Increase/(decrease) in unrestricted net assets	(2,048,987)	4,542,161
Temporarily restricted net assets		
Contributions	7,283,767	2,523,225
Net assets released from restrictions used for operations	(5,491,490)	(3,724,804)
Net assets released from restrictions used for purchase of property, plant, and equipment	(38,031)	(278,481)
Contribution received from HSC	176,175	-
Increase/(decrease) in temporarily restricted net assets	1,930,421	(1,480,060)
Increase/(decrease) in net assets	(118,566)	3,062,101
Net assets		
Beginning of year	5,836,026	2,773,925
End of year	$ 5,717,460	$ 5,836,026

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

Safe Kids Worldwide
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets (deficit)	$ (118,566)	$ 3,062,101
Adjustments to reconcile change in net assets (deficit) to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	310,726	142,270
Provision for bad debts	2,306	20,380
Change in assets and liabilities		
Accounts receivable	(14,668)	23,832
Prepaid and other expenses	(18,212)	(47,902)
Federal grants and contributions receivable	19,141	1,780,175
Other receivables	(17,514)	(1,008)
Due from affiliates	(2,403,455)	(423,952)
Accounts payable	142,487	63,938
Accrued expenses and other current liabilities	161,553	(333,663)
Deferred grant revenue	45,887	(10,047)
Due to affiliates	1,351,970	(2,257,950)
Net cash and cash equivalents provided/(used) by operating activities	(538,345)	2,018,174
Cash flows from investing activities		
Acquisition of equipment	(286,560)	(525,999)
Net cash and cash equivalents used in investing activities	(286,560)	(525,999)
Cash flows from financing activities		
Principal payments on capital leases	(2,202)	(4,752)
Net cash and cash equivalents used in financing activities	(2,202)	(4,752)
Increase/(decrease) in cash and cash equivalents	(827,107)	1,487,423
Cash and cash equivalents		
Beginning of year	1,518,107	30,684
End of year	$ 691,000	$ 1,518,107

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

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.

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

After reviewing the fair value of the assets and liabilities transferred, it was determined that the inherent contributions received from this transaction were immaterial.

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 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, 2011, 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. 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. 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, 2011 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.

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, 2011.

3. Contributions Receivable

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

	2011	2010
Less than one year	$ 37,500	$ 547,500
One to three years	-	-
Subtotal	37,500	547,500
Less discount and allowance	-	-
Total	37,500	547,500
Less current contributions receivable	(37,500)	(547,500)
Noncurrent contributions receivable	$ -	$ -

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 $64,214 and $44,266 in 2011 and 2010, 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:

	2011	2010
Computer equipment	$ 864,548	$ 797,436
Leasehold improvements	229,555	51,066
Vehicles	128,314	95,731
Less accumulated depreciation and amortization	(576,585)	(274,235)
Total equipment, net	$ 645,832	$ 669,998

Depreciation and amortization was $310,726 for the year ended June 30, 2011 and $142,270 for the year ended June 30, 2010. Repairs and maintenance are expensed as incurred. During the year ended June 30, 2010, Safe Kids retired long-lived assets determined to have no future value and zero book value. The original cost and corresponding accumulated depreciation of these long lived assets was $109,605. 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 $84,806 and $104,400 during the fiscal years ended June 30, 2011 and 2010, 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 $210,213 and $103,329 as of June 30, 2011 and 2010, 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, 2011 are as follows:

	Operating Leases	Capital Leases
2012	$ 889,751	$ 1,417
2013	918,345	-
2014	947,645	-
2015	969,710	-
2016	372,040	-
Thereafter	-	-
Total future minimum payments	$ 4,097,491	1,417
Less amount representing interest		-
Present value of net minimum lease payments		$ 1,417

Rent expense was $785,606 and $640,447 in fiscal years 2011 and 2010, respectively.

7. Related Party Transactions

Due to affiliates, as of June 30, 2011, represents salary allocation of services provided by Children's National, central business office functions, legal support and various strategic applications.

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, 2011, 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 2011, Safe Kids received approximately 77% of total unrestricted and temporarily restricted contributions from three donors. During fiscal year 2010, Safe Kids received approximately 99% of total unrestricted and temporarily restricted contributions from three donors. As of June 30, 2011, contributions receivable consisted of amounts due from 1 donor that comprise approximately 100% of total contributions receivable. As of June 30, 2010, total contributions receivable consists of certain amounts due from 3 donors that comprise approximately 98% of total contributions receivable.

9. Subsequent Events

Management has evaluated subsequent events through November 2, 2011, which is the date the financial statements were available to be issued.