Safe Kids Worldwide

Financial Statements
June 30, 2016 and 2015

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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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

December 23, 2016

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Safe Kids Worldwide
Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Accounts receivable, net of allowance for uncollectible accounts of $24,302 and $5,190 as of June 30, 2016 and 2015, respectively	$ 71,183	$ 46,708
Prepaid and other expenses	60,233	210,708
Contributions receivable current, net	1,550,369	2,241,944
Federal grants receivable	34,056	199,320
Due from affiliates	4,017,566	5,001,811
Other receivables	-	18,522
Total current assets	5,733,407	7,719,013
Noncurrent asstes		
Equipment, net	1,750	24,906
Intangible assets, net	9,000	15,000
Contributions receivable, net	-	1,609,912
Total assets	$ 5,744,157	$ 9,368,831
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 133,730	$ 237,607
Accrued salaries, expenses and other current liabilities	525,806	571,094
Deferred grant revenue	-	8,402
Total current liabilities	659,536	817,103
Noncurrent liabilities		
Other liabilities	-	95,458
Total liabilities	659,536	912,561
Net assets		
Unrestricted	289,269	289,267
Temporarily restricted	4,795,352	8,167,003
Total net assets	5,084,621	8,456,270
Total liabilities and net assets	$ 5,744,157	$ 9,368,831

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, 2016 and 2015

	2016	2015
Unrestricted net assets		
Revenues, gains and other support		
Contributions and grant revenue	$ 2,306,715	$ 2,258,058
Other operating revenues	1,519,171	1,685,470
Net assets released from restrictions used for operations	7,996,407	7,701,968
Total revenues, gains and other support	11,822,293	11,645,496
Expenses		
Program expenses		
Community health services	548,186	221,302
Research, training and technical assistance	2,343,230	2,407,510
Public education and information	6,664,762	7,031,076
Advocacy	210,395	249,132
Total program expenses	9,766,573	9,909,020
Supporting services expenses		
Direct management and general	615,402	860,395
Fundraising	1,253,608	689,373
Total direct supporting services expenses	1,869,010	1,549,768
Total direct expenses	11,635,583	11,458,788
Operating gains before corporate overhead expense	186,710	186,708
Corporate overhead expense	186,708	186,707
Total operating gain (change in unrestricted net assets)	2	1
Temporarily restricted net assets		
Contributions	4,624,756	11,625,841
Net assets released from restrictions used for operations	(7,996,407)	(7,701,968)
(Decrease) increase in temporarily restricted net assets	(3,371,651)	3,923,873
(Decrease) increase in net assets	(3,371,649)	3,923,874
Net assets		
Beginning of year	8,456,270	4,532,396
End of year	$ 5,084,621	$ 8,456,270

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

Safe Kids Worldwide
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (3,371,649)	$ 3,923,874
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	29,155	60,482
Provision for/(recovery of) bad debts	19,112	(2,079)
(Recovery of)/provision for uncollectible contributions receivables	(34,990)	58,121
Discount on contributions receivable	-	43,859
Change in assets and liabilities		
Accounts receivable	(43,587)	(543)
Prepaid and other expenses	150,475	(112,158)
Federal grants receivable	165,264	84,320
Contributions receivable	2,336,478	(3,043,836)
Other receivables	18,522	29,137
Due from affiliates	984,245	(1,668,681)
Accounts payable	(103,877)	66,336
Accrued salaries, expenses and other current liabilities	(45,288)	(38,260)
Deferred grant revenue	(8,402)	-
Other liabilities	(95,458)	(97,964)
Net cash used in operating activities	-	(697,392)
Decrease in cash	-	(697,392)
Cash		
Beginning of year	-	697,392
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 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 non-profit, 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 accrued salaries, expenses and other current liabilities on the Statement of Financial Position was $34,044 and $152,861 as of June 30, 2016 and 2015, respectively.

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 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).

FASB's 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, 2016 and 2015, 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, 2016 and 2015 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.

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 Financial Accounting Standards Board ("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. Sake 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 and has not yet determined the effect of the standard on its ongoing financial reporting at this time.

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.

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, 2016 and 2015.

3. Contributions Receivable

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

	2016	2015
Less than one year	$ 1,573,500	$ 2,275,392
One to five years	-	1,678,444
	1,573,500	3,953,836
Less: Discount	-	(43,859)
Allowance for uncollectible contributions	(23,131)	(58,121)
Contribution receivable, net	$ 1,550,369	$ 3,851,856

Contributions in kind totaled $103,575 and $149,220 in 2016 and 2015, 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.

As of June 30, equipment was as follows:

	2016	2015
Computer equipment	$ 843,158	$ 843,158
Leasehold improvements	250,945	250,945
Vehicles	95,730	95,730
Less: Accumulated depreciation	(1,188,083)	(1,164,927)
Total equipment, net	$ 1,750	$ 24,906

Depreciation was $23,156 for the year ended June 30, 2016 and $54,482 for the year ended June 30, 2015. Repairs and maintenance are expensed as incurred. There were no retirements of long-lived assets in 2016 and 2015. During the years ended June 30, 2016 and 2015, 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, 2016 and 2015.

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 $118,377 and $110,187 during the fiscal years ended June 30, 2016 and 2015, 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 as of June 30, 2015 (none at June 30, 2016), which is included in accrued salaries, expenses and other current liabilities in the accompanying statements of financial position.

Future minimum payments for the year ending June 30, 2016 are as follows:

	Operating Leases
2017	$ 36,753
2018	636,862
2019	712,186
2020	730,053
2021	748,359
Thereafter	4,974,357
Total future minimum payments	$ 7,838,570

Rent expense was $554,500 and $775,190 in fiscal years 2016 and 2015, respectively.

8. Related Party Transactions

Due to affiliates, as of June 30, 2016 and 2015, represents the 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 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, 2016 and 2015, 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 2016, Safe Kids received approximately 70% of total unrestricted and temporarily restricted contributions from four donors. During fiscal year 2015, Safe Kids received approximately 78% of total unrestricted and temporarily restricted contributions from four donors.

Contributions receivable consisted of amounts due from four donors and five donors that comprise approximately 100% of total contributions receivable, as of June 30, 2016 and 2015, respectively.

10. Subsequent Events

Management has evaluated subsequent events through December 23, 2016, which is the date the financial statements were available to be issued.