

**SAFETY CENTER INC.**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED  
JUNE 30, 2016 AND 2015**

## **INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Safety Center Inc.  
Sacramento, California**

We have audited the accompanying financial statements of Safety Center Inc. (Center), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and of 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 these 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 these 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 the auditor's 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, the auditor considers internal control relevant to the entity's 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 the entity's 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.

Board of Directors  
Safety Center Inc.  
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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safety Center Inc. as of 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.

*Gilbert Associates, Inc.*

GILBERT ASSOCIATES, INC.  
Sacramento, California

September 26, 2016

# **SAFETY CENTER INC.**

## **STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015**

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	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 279,609	\$ 102,835
Accounts receivable (net of allowance for doubtful accounts of \$10,258 in 2016 and \$9,584 in 2015)	296,242	220,460
Other assets	77,438	79,589
Property and equipment, net	708,164	792,591
Leasehold interest in land, net	<u>82,335</u>	<u>86,668</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,443,788</u></b>	<b><u>\$ 1,282,143</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 114,664	\$ 121,158
Accrued expenses	281,007	192,949
Deferred revenues	<u>314,302</u>	<u>323,523</u>
Total liabilities	<u>709,973</u>	<u>637,630</u>
<b>NET ASSETS:</b>		
Unrestricted	640,729	463,650
Temporarily restricted	<u>93,086</u>	<u>180,863</u>
Total net assets	<u>733,815</u>	<u>644,513</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,443,788</u></b>	<b><u>\$ 1,282,143</u></b>

# SAFETY CENTER INC.

## STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS:</b>		
REVENUES:		
Alcohol and drug program service fees	\$ 2,827,325	\$ 3,023,231
Safety training and product sales	1,093,073	1,040,935
Community safety	362,655	297,857
Safetyville, U.S.A.	174,084	170,068
Donations	26,390	27,228
Membership dues	18,013	16,394
Other income	34,103	9,696
Release of temporarily restricted net assets	<u>241,777</u>	<u>84,805</u>
Total revenues	<u>4,777,420</u>	<u>4,670,214</u>
EXPENSES:		
Alcohol and drug programs	2,692,636	2,887,747
Safety training and product costs	1,117,171	1,154,605
Community safety	447,462	467,667
Safetyville, U.S.A.	325,543	336,242
Membership services	9,742	13,889
Other	<u>7,787</u>	<u>7,479</u>
Total expenses	<u>4,600,341</u>	<u>4,867,629</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<u>177,079</u>	<u>(197,415)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Grants	154,000	179,000
Release of temporarily restricted net assets	<u>(241,777)</u>	<u>(84,805)</u>
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(87,777)</u>	<u>94,195</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	89,302	(103,220)
<b>NET ASSETS, Beginning of Year</b>	<u>644,513</u>	<u>747,733</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 733,815</u>	<u>\$ 644,513</u>

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

# SAFETY CENTER INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 89,302	\$ (103,220)
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	97,667	117,620
Amortization of leasehold interest in land	4,333	4,333
Changes in:		
Accounts receivable, net	(75,782)	19,054
Other assets	2,151	21,952
Accounts payable	(6,494)	(39,758)
Accrued expenses	88,058	(46,481)
Deferred revenues	(9,221)	(61,775)
Net cash provided (used) by operating activities	<u>190,014</u>	<u>(88,275)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Redemptions of certificates of deposit		38,187
Purchases of property and equipment	<u>(13,240)</u>	<u>(86,382)</u>
Net cash used by investing activities	<u>(13,240)</u>	<u>(48,195)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	100,000	
Payments on line of credit	<u>(100,000)</u>	
Net cash provided by investing activities	<u></u>	<u></u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	176,774	(136,470)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>102,835</u>	<u>239,305</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 279,609</u>	<u>\$ 102,835</u>

# **SAFETY CENTER INC.**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015**

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### **1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

Safety Center Inc. (Center) is a nonprofit public benefit corporation headquartered on a 10-acre complex in Sacramento, California, consisting of administrative offices, classrooms, the Safetyville, U.S.A. project, a motorcycle training track, and a confined space and excavation pit training facility. The objectives of the Center are to offer safety training and education in order to reduce injuries and save lives. The Center's primary service area is California.

**Basis of accounting and financial statement presentation**— The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards for not-for-profit entities. The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Center has no permanently restricted net assets.

**Revenue recognition** — Revenues from alcohol and drug programs and safety training courses are recognized ratably as courses are completed. Membership dues are recognized as revenue over the membership period. Corporate subscriptions to Safetyville, U.S.A., are recognized as revenue over the subscription period. Revenues and related receivables are earned from individual and corporate clients and sponsors, substantially all of whom are located in California.

Grants from private sources are recognized in the period received or unconditionally promised. These grants are typically restricted by grantors for future periods or specific purposes. Grantor-restricted amounts are reported as increases in temporarily restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statement of activities as a release of temporarily restricted net assets, when the time restrictions expire or the grants are used for the restricted purposes.

**Contributed materials, and facilities** are recorded at estimated fair market value as of the date received. These items are charged to expense or capitalized depending upon the nature of the materials or facilities contributed. The Center's leasehold interest in land leased from the County of Sacramento at \$1 per year is being amortized on a straight-line basis over the 60-year life of the lease, expiring in 2035.

**Cash and cash equivalents** — For financial statement purposes, the Center considers all investments with a maturity at purchase of three months or less to be cash equivalents.

The Center minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Center has not experienced any losses in such accounts and management believes the Center is not exposed to any significant credit risk related to cash.

**Property and equipment** are depreciated using the straight-line method over estimated useful lives of 3 to 40 years. Purchased property and equipment are recorded at cost. The company capitalizes property and equipment with a cost of at least \$1,000.

# **SAFETY CENTER INC.**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015**

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**Income taxes** – The Center is exempt from income taxes under Section 501(c)(3) but is subject to income taxes from activities unrelated to its tax-exempt purpose. The Center has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Center is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2012.

**Allocation of administrative overhead** – Administrative overhead expenses are allocated to the Center's programs based on direct labor costs related to such programs. Expenses on the statements of activities include administrative overhead; program service expenses after deduction of such overhead totaled \$3,616,457 for 2016 and \$3,872,467 for 2015.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates included in these financial statements are management's estimate of the collectability of accounts receivable and the useful lives of assets. Accordingly, actual results could differ from those estimates.

**Subsequent events** have been reviewed through September 26, 2016, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 that require recognition or disclosure in the financial statements.

**Reclassifications** – Certain 2015 amounts have been reclassified to conform with the 2016 financial statement presentation.

### **2. ACCOUNTS RECEIVABLE**

Most of the Center's accounts receivable represent unsecured amounts due from clients' participation in court-mandated traffic safety programs. Collection of these amounts is not assured, and management has estimated the uncollectible amounts as of June 30, 2016 and 2015. A reasonable possibility exists that amounts ultimately uncollectible may differ materially from the amounts estimated. However, the amount of the difference cannot be determined.

In addition to accounts receivable reported on the statements of financial position, the Center maintains records of scheduled receipts, net of estimated uncollectible amounts, from courses committed under contract but not yet provided. Such scheduled receipts totaled approximately \$885,000 and \$784,000 as of June 30, 2016 and 2015, respectively.



# SAFETY CENTER INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Buildings and equipment	\$ 3,642,024	\$ 3,640,951
Furniture and fixtures	<u>735,968</u>	<u>723,801</u>
Total	4,377,992	4,364,752
Less accumulated depreciation	<u>(3,669,828)</u>	<u>(3,572,161)</u>
Property and equipment, net	<u>\$ 708,164</u>	<u>\$ 792,591</u>

### 4. NET ASSETS

A portion of net assets at June 30, 2016 and 2015 are temporarily restricted for the following uses:

	<u>2016</u>	<u>2015</u>
Unamortized leasehold interest in land	\$ 82,335	\$ 86,668
JADE program	7,000	10,000
Teen 2 Teen	3,751	50,007
Alive at 25	<u>          </u>	<u>34,188</u>
Total temporarily restricted net assets	<u>\$ 93,086</u>	<u>\$ 180,863</u>

The Board of Directors has designated up to \$950,000 of the Center's unrestricted net assets as a reserve for contingencies. Future increases in unrestricted net assets are to be included in the reserve, up to the original designation of \$950,000.

### 5. OPERATING LEASE COMMITMENTS

The Center leases satellite office facilities and equipment under long-term operating lease agreements. Lease expense for these agreements totaled \$345,160 for 2016 and \$351,051 for 2015. Future minimum lease payments under these agreements are as follows:

#### Fiscal year ending June 30:

2017	\$ 476,452
2018	440,702
2019	245,664
2020	165,051
2021	<u>33,827</u>
Total	<u>\$ 1,361,696</u>

# **SAFETY CENTER INC.**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015**

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### **6. PENSION PLAN**

The Center sponsors a profit-sharing pension plan under IRC Section 401(k). Employees become eligible to participate upon attaining age 21 and completing one full year of service (at least 1,000 hours). Participants may make voluntary contributions up to the limits set by the Internal Revenue Service, and the Center matches such contributions up to 3% of compensation. Participants vest in employer contributions at a rate of 20% per year beginning with completion of the third year of service. Pension expense was \$18,140 for 2016 and \$20,557 for 2015.

### **7. LINE OF CREDIT**

The Center has a \$50,000 unsecured line of credit with a bank. The line had a fixed interest rate through November 2015 of 3%, with a variable interest rate thereafter dependent on the Center's credit evaluation. As of June 30, 2016 the interest rate was 10.5%. There was no outstanding balance as of June 30, 2016 and 2015. The line does not have an expiration date.