SAFETY CENTER INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2015 AND 2014

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, 2015 and 2014, 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.

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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, 2015 and 2014, 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

October 12, 2015

SAFETY CENTER INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS:		
Cash and cash equivalents	$ 102,835	$ 239,305
Certificates of deposit		38,187
Accounts receivable (net of allowance for doubtful accounts of $9,584 in 2015 and $21,372 in 2014)	220,460	239,514
Other assets	79,589	101,541
Property and equipment, net	792,591	823,829
Leasehold interest in land, net	86,668	91,001
TOTAL ASSETS	$ 1,282,143	$ 1,533,377
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 121,158	$ 160,916
Accrued expenses	192,949	239,430
Deferred revenues	323,523	385,298
Total liabilities	637,630	785,644
NET ASSETS:		
Unrestricted	463,650	656,732
Temporarily restricted	180,863	91,001
Total net assets	644,513	747,733
TOTAL LIABILITIES AND NET ASSETS	$ 1,282,143	$ 1,533,377

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

SAFETY CENTER INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
REVENUES:		
Alcohol and drug program service fees	$ 3,023,231	$ 3,169,270
Safety training and product sales	1,040,935	1,325,599
Community safety	297,857	396,324
Safetyville, U.S.A.	170,068	249,484
Unrestricted donations	27,228	29,907
Membership dues	16,394	13,984
Interest and other	9,696	8,197
Release of temporarily restricted net assets	84,805	
Total revenues	4,670,214	5,192,765
EXPENSES:		
Alcohol and drug programs	2,887,747	3,168,172
Safety training and product costs	1,154,605	1,452,073
Community safety	467,667	439,057
Safetyville, U.S.A.	336,242	343,865
Membership services	13,889	16,200
Other	7,479	9,137
Total expenses	4,867,629	5,428,504
DECREASE IN UNRESTRICTED NET ASSETS	(197,415)	(235,739)
TEMPORARILY RESTRICTED NET ASSETS:		
Grants	179,000	
Release of temporarily restricted net assets	(84,805)	
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	94,195	
DECREASE IN NET ASSETS	(103,220)	(235,739)
NET ASSETS, Beginning of Year	747,733	983,472
NET ASSETS, End of Year	$ 644,513	$ 747,733

SAFETY CENTER INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (103,220)	$ (235,739)
Reconciliation to net cash used by operating activities:		
Depreciation	117,620	155,138
Amortization of leasehold interest in land	4,333	4,334
Changes in:		
Accounts receivable, net	19,054	(45,722)
Other assets	21,952	(17,395)
Accounts payable	(39,758)	19,154
Accrued expenses	(46,481)	32,730
Deferred revenues	(61,775)	(4,121)
Net cash used by operating activities	(88,275)	(91,621)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit		(38,197)
Redemptions of certificates of deposit	38,187	139,066
Purchases of property and equipment	(86,382)	(95,275)
Net cash provided (used) by investing activities	(48,195)	5,594
NET DECREASE IN CASH AND CASH EQUIVALENTS	(136,470)	(86,027)
CASH AND CASH EQUIVALENTS, Beginning of year	239,305	325,332
CASH AND CASH EQUIVALENTS, End of year	$ 102,835	$ 239,305

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 services, 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 services 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.

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.

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 Station is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2011.

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 $3,687,737 for 2015 and $4,405,429 for 2014.

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.

Certificates of deposits are valued at cost.

Subsequent events have been reviewed through October 12, 2015, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2015 that require recognition or disclosure in the financial statements.

Reclassifications – Certain 2014 amounts have been reclassified to conform with the 2015 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, 2015 and 2014. 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 $784,000 and $822,000 as of June 30, 2015 and 2014, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
Buildings and equipment	$ 3,640,951	$ 3,586,649
Furniture and fixtures	723,801	691,721
Total	4,364,752	4,278,370
Less accumulated depreciation	(3,572,161)	(3,454,541)
Property and equipment, net	$ 792,591	$ 823,829

4. NET ASSETS

A portion of net assets at June 30, 2015 and 2014 are temporarily restricted for the following uses:

	2015	2014
Unamortized leasehold interest in land	$ 86,668	$ 91,001
Alive at 25	34,188	
Teen 2 Teen	50,007	
JADE Program	10,000	
Total temporarily restricted net assets	$ 180,863	$ 91,001

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. CONTRIBUTED SERVICES AND MATERIALS

In 2014, the Center received contributed services and materials related to Safetyville, U.S.A., activities. These contributions were valued at $12,500 for 2014. The Center received no contributed services and materials in 2015.

6. OPERATING LEASE COMMITMENTS

The Center leases satellite office facilities under long-term operating lease agreements. Lease expense for the facilities totaled $351,051 for 2015 and $356,977 for 2014. Future minimum lease payments under these agreements are as follows:

Fiscal year ending June 30:	
2016	$ 333,282
2017	324,196
2018	307,325
2019	177,483
2020	114,457
Thereafter	8,515
Total	$ 1,265,258

7. 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 $20,557 for 2015 and $34,451 for 2014.

8. LINE OF CREDIT

The Center has a $50,000 unsecured line of credit with a bank, with a fixed interest rate through November 2015 of 3%, and thereafter a variable interest rate dependent on a credit evaluation. The Center has not made any draws on the line of credit as of June 30, 2015. The line does not have an expiration date.

9. GOING CONCERN

The Center's current liabilities and obligations related to temporarily restricted grants exceed the Center's current assets as of June 30, 2015, which is the result of losses sustained by the Center. These conditions raise concerns as to whether the Center will be able to meet its obligations as they become due and have sufficient cash to maintain operations. Management believes the Center can continue operations through reductions in expenses and increased training fees and has forecast the Center to end the 2016 fiscal year with revenues exceeding expenses. In addition, as described in Note 8, the Center has obtained a line of credit to assist with cash needs.