SAFETY CENTER INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2013 AND 2012

Gilbert Associates, Inc.
CPAs and Advisors
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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, 2013 and 2012, 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, 2013 and 2012, 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 30, 2013

SAFETY CENTER INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS:		
Cash and cash equivalents	$ 325,332	$ 333,344
Certificates of deposit	139,056	138,769
Accounts receivable (net of allowance for doubtful accounts of $27,253 in 2013 and $49,212 in 2012)	193,792	156,008
Other assets	84,146	79,768
Property and equipment, net	883,692	990,687
Leasehold interest in land, net	95,335	99,668
TOTAL ASSETS	$ 1,721,353	$ 1,798,244
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 141,762	$ 140,203
Accrued expenses	206,700	165,008
Deferred revenues	389,419	412,030
Total liabilities	737,881	717,241
NET ASSETS:		
Unrestricted	888,137	981,335
Temporarily restricted	95,335	99,668
Total net assets	983,472	1,081,003
TOTAL LIABILITIES AND NET ASSETS	$ 1,721,353	$ 1,798,244

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

SAFETY CENTER INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUES:		
Alcohol and drug program service fees	$ 3,246,017	$ 3,394,933
Safety training and product sales	1,177,459	1,044,129
Community safety	401,814	426,372
Safetyville, U.S.A.	240,065	260,564
Membership dues	19,140	21,471
Interest and other	24,255	22,924
Total revenues	5,108,750	5,170,393
EXPENSES:		
Alcohol and drug programs	3,068,082	3,209,047
Safety training and product costs	1,311,368	1,313,206
Community safety	448,940	506,379
Safetyville, U.S.A.	351,766	372,862
Membership services	16,488	22,022
Other	9,637	9,214
Total expenses	5,206,281	5,432,730
DECREASE IN NET ASSETS	(97,531)	(262,337)
NET ASSETS, Beginning of Year	1,081,003	1,343,340
NET ASSETS, End of Year	$ 983,472	$ 1,081,003

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

SAFETY CENTER INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (97,531)	$ (262,337)
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	139,012	147,441
Amortization of leasehold interest in land	4,333	4,333
Changes in:		
Accounts receivable, net	(37,784)	37,551
Other assets	(4,378)	(84)
Accounts payable	1,559	(10,818)
Accrued expenses	41,692	(31,105)
Deferred revenues	(22,611)	35,711
Net cash provided (used) by operating activities	24,292	(79,308)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(239,810)	(276,896)
Redemptions of certificates of deposit	239,523	276,255
Purchases of property and equipment	(32,017)	(65,978)
Net cash used by investing activities	(32,304)	(66,619)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,012)	(145,927)
CASH AND CASH EQUIVALENTS, Beginning of year	333,344	479,271
CASH AND CASH EQUIVALENTS, End of year	$ 325,332	$ 333,344

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

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 implemented the amended accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

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 $4,340,227 for 2013 and $4,598,385 for 2012.

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, which approximates fair value.

Subsequent events have been reviewed through September 30, 2013, the date the financial statements were available to be issued.

Reclassifications – Certain 2012 amounts have been reclassified to conform with the 2013 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, 2013 and 2012. 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 $867,000 and $910,000 as of June 30, 2013 and 2012, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2013	**2012**
Buildings and equipment	$ 3,518,126	$ 3,499,109
Furniture and fixtures	664,969	651,969
Total	4,183,095	4,151,078
Less accumulated depreciation	(3,299,403)	(3,160,391)
Property and equipment, net	$ 883,692	$ 990,687

4. NET ASSETS

Temporarily restricted net assets at June 30, 2013 and 2012 represent the remaining unamortized portion of the Center's leasehold interest in land. Temporarily restricted net assets decreased by $4,333 for 2013 and 2012, reflecting the amortization of the leasehold interest.

The Board of Directors has designated $950,000 of its unrestricted net assets as a reserve for contingencies.

5. CONTRIBUTED SERVICES AND MATERIALS

The Center received contributed services and materials related to Safetyville, U.S.A., activities. These contributions were valued at $50,450 for 2013 and $49,800 for 2012.

6. OPERATING LEASE COMMITMENTS

The Center leases satellite office facilities under long-term operating lease agreements. Lease expense for the facilities totaled $357,070 for 2013 and $349,925 for 2012. Future minimum lease payments under these agreements are as follows:

Fiscal year ending June 30:	
2014	$ 359,715
2015	322,353
2016	186,974
2017	155,955
2018	160,440
Thereafter	40,404
Total	$ 1,225,841

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 $32,932 for 2013 and $37,148 for 2012.