SAFETY CENTER INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2012 AND 2011

Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Safety Center Inc.
Sacramento, California

We have audited the accompanying statements of financial position of Safety Center Inc. (Center) as of June 30, 2012 and 2011, and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Center's management. 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 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

September 19, 2012

2880 Gateway Oaks Drive, Suite 100 • Sacramento, CA 95833
101 Parkshore Drive, Suite 100 • Folsom, CA 95630
Phone: 916.646.6464 • Fax: 916.929.6836 • gilbertcpa.com

SAFETY CENTER INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS:		
Cash and cash equivalents	$ 232,901	$ 379,104
Certificates of deposit	239,212	238,295
Accounts receivable (net of allowance for doubtful accounts of $49,212 in 2012 and $48,319 in 2011)	156,008	193,559
Property and equipment, net	990,687	1,072,150
Leasehold interest in land, net	99,668	104,001
Other assets	79,768	79,684
TOTAL ASSETS	$ 1,798,244	$ 2,066,793
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 140,203	$ 151,021
Accrued expenses	165,008	196,113
Deferred revenues	412,030	376,319
Total liabilities	717,241	723,453
NET ASSETS:		
Unrestricted	981,335	1,239,339
Temporarily restricted	99,668	104,001
Total net assets	1,081,003	1,343,340
TOTAL LIABILITIES AND NET ASSETS	$ 1,798,244	$ 2,066,793

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

SAFETY CENTER INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
REVENUES:		
Alcohol and drug program service fees	$ 3,394,933	$ 3,198,748
Safety training and product sales	1,044,129	905,793
Community safety	426,372	373,546
Safetyville, U.S.A.	260,564	262,642
Membership dues	21,471	38,851
Interest and other	22,924	12,367
Release of temporarily restricted net assets	4,333	104,334
Total revenues	5,174,726	4,896,281
EXPENSES:		
Alcohol and drug programs	3,209,047	3,165,795
Safety training and product costs	1,315,130	1,270,282
Community safety	504,455	545,356
Safetyville, U.S.A.	372,862	382,751
Membership services	22,022	24,890
Other	9,214	10,321
Total expenses	5,432,730	5,399,395
DECREASE IN UNRESTRICTED NET ASSETS	(258,004)	(503,114)
TEMPORARILY RESTRICTED NET ASSETS:		
Release of temporarily restricted net assets	(4,333)	(104,334)
DECREASE IN NET ASSETS	(262,337)	(607,448)
NET ASSETS, Beginning of Year	1,343,340	1,950,788
NET ASSETS, End of Year	$ 1,081,003	$ 1,343,340

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

SAFETY CENTER INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (262,337)	$ (607,448)
Reconciliation to net cash used by operating activities:		
Depreciation	147,441	191,530
Amortization of leasehold interest in land	4,333	4,334
Changes in:		
Accounts receivable, net	37,551	16,925
Other assets	(84)	(29,832)
Accounts payable	(10,818)	67,079
Accrued expenses	(31,105)	(92,146)
Deferred revenues	35,711	(10,290)
Net cash used by operating activities	(79,308)	(459,848)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(477,506)	(4,420)
Redemptions of certificates of deposit	476,589	569,111
Purchases of property and equipment	(65,978)	(93,341)
Net cash provided (used) by investing activities	(66,895)	471,350
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(146,203)	11,502
CASH AND CASH EQUIVALENTS, Beginning of year	379,104	367,602
CASH AND CASH EQUIVALENTS, End of year	$ 232,901	$ 379,104

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 $4,598,385 for 2012 and $4,532,815 for 2011.

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.

Subsequent events have been reviewed through September 19, 2012, the date the financial statements were available to be issued.

Reclassifications – Certain 2011 amounts have been reclassified to conform with the 2012 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, 2012 and 2011. 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 $910,000 and $962,000 as of June 30, 2012 and 2011, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2012	2011
Buildings and equipment	$ 3,499,109	$ 3,486,637
Furniture and fixtures	651,969	598,463
Total	4,151,078	4,085,100
Less accumulated depreciation	(3,160,391)	(3,012,950)
Property and equipment, net	$ 990,687	$ 1,072,150

4. NET ASSETS

Temporarily restricted net assets at June 30, 2012 and 2011 represent the remaining unamortized portion of the Center's leasehold interest in land of $99,668 and $104,001, respectively.

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 $49,800 for 2012 and $79,060 for 2011.

6. OPERATING LEASE COMMITMENTS

The Center leases satellite office facilities under long-term operating lease agreements. Lease expense for the facilities totaled $349,925 for 2012 and $274,287 for 2011. Future minimum lease payments under these agreements are as follows:

Fiscal year ending June 30:	
2013	$ 358,701
2014	250,845
2015	173,064
2016	34,645
Total	$ 817,255

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. Prior to 2011, the Center made discretionary employer contributions up to 5% of covered compensation. In 2012 and 2011, as part of the efforts of the Center to curtail expenses, the 5% discretionary contributions were suspended. Participants vest in employer contributions at a rate of 20% per year beginning with completion of the third year of service. Pension expense was $37,148 for 2012 and $45,637 for 2011.