SAFETY CENTER INC.

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED
JUNE 30, 2014 AND 2013

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, 2014 and 2013, 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, 2014 and 2013, 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

November 20, 2014

SAFETY CENTER INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS:		
Cash and cash equivalents	$ 239,305	$ 325,332
Certificates of deposit	38,187	139,056
Accounts receivable (net of allowance for doubtful accounts of $21,372 in 2014 and $27,253 in 2013)	239,514	193,792
Other assets	101,541	84,146
Property and equipment, net	823,829	883,692
Leasehold interest in land, net	91,001	95,335
TOTAL ASSETS	$ 1,533,377	$ 1,721,353
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 160,916	$ 141,762
Accrued expenses	239,430	206,700
Deferred revenues	385,298	389,419
Total liabilities	785,644	737,881
NET ASSETS:		
Unrestricted	656,732	888,137
Temporarily restricted	91,001	95,335
Total net assets	747,733	983,472
TOTAL LIABILITIES AND NET ASSETS	$ 1,533,377	$ 1,721,353

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

SAFETY CENTER INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
REVENUES:		
Alcohol and drug program service fees	$ 3,169,270	$ 3,246,017
Safety training and product sales	1,325,599	1,177,459
Community safety	396,324	401,814
Safetyville, U.S.A.	249,484	240,065
Membership dues	13,984	19,140
Interest and other	38,104	24,255
Total revenues	5,192,765	5,108,750
EXPENSES:		
Alcohol and drug programs	3,168,172	3,068,082
Safety training and product costs	1,452,073	1,311,368
Community safety	439,057	448,940
Safetyville, U.S.A.	343,865	351,766
Membership services	16,200	16,488
Other	9,137	9,637
Total expenses	5,428,504	5,206,281
DECREASE IN NET ASSETS	(235,739)	(97,531)
NET ASSETS, Beginning of Year	983,472	1,081,003
NET ASSETS, End of Year	$ 747,733	$ 983,472

SAFETY CENTER INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (235,739)	$ (97,531)
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	155,138	139,012
Amortization of leasehold interest in land	4,334	4,333
Changes in:		
Accounts receivable, net	(45,722)	(37,784)
Other assets	(17,395)	(4,378)
Accounts payable	19,154	1,559
Accrued expenses	32,730	41,692
Deferred revenues	(4,121)	(22,611)
Net cash provided (used) by operating activities	(91,621)	24,292
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(38,197)	(239,810)
Redemptions of certificates of deposit	139,066	239,523
Purchases of property and equipment	(95,275)	(32,017)
Net cash provided (used) by investing activities	5,594	(32,304)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(86,027)	(8,012)
CASH AND CASH EQUIVALENTS, Beginning of year	325,332	333,344
CASH AND CASH EQUIVALENTS, End of year	$ 239,305	$ 325,332

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 $4,405,429 for 2014 and $4,273,804 for 2013.

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 November 20, 2014, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2014 that require recognition or disclosure in the financial statements.

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, 2014 and 2013. 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 $822,000 and $867,000 as of June 30, 2014 and 2013, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014	2013
Buildings and equipment	$ 3,586,649	$ 3,518,126
Furniture and fixtures	691,721	664,969
Total	4,278,370	4,183,095
Less accumulated depreciation	(3,454,541)	(3,299,403)
Property and equipment, net	$ 823,829	$ 883,692

4. NET ASSETS

Temporarily restricted net assets at June 30, 2014 and 2013 represent the remaining unamortized portion of the Center's leasehold interest in land. Temporarily restricted net assets decreased by $4,334 and $4,333 for 2014 and 2013, respectively reflecting the amortization of the leasehold interest.

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

The Center received contributed services and materials related to Safetyville, U.S.A., activities. These contributions were valued at $12,500 for 2014 and $50,450 for 2013.

6. OPERATING LEASE COMMITMENTS

The Center leases satellite office facilities under long-term operating lease agreements. Lease expense for the facilities totaled $356,977 for 2014 and $357,070 for 2013. Future minimum lease payments under these agreements are as follows:

Fiscal year ending June 30:	
2015	$ 321,640
2016	211,522
2017	194,028
2018	199,848
2019	81,051
Thereafter	47,220
Total	$ 1,055,309

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 $34,451 for 2014 and $32,932 for 2013.