SAFETY CENTER INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 8, 2018

SAFETY CENTER INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS:		
Cash and cash equivalents	$ 616,702	$ 635,811
Certificates of deposit	100,192	
Accounts receivable, net	349,549	321,987
Other assets	94,866	112,195
Property and equipment, net	633,945	641,926
Leasehold interest in land, net	73,668	78,001
TOTAL ASSETS	$ 1,868,922	$ 1,789,920
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 117,579	$ 143,014
Accrued expenses	362,980	338,740
Deferred revenues	357,645	358,883
Total liabilities	838,204	840,637
NET ASSETS:		
Unrestricted	957,050	871,282
Temporarily restricted	73,668	78,001
Total net assets	1,030,718	949,283
TOTAL LIABILITIES AND NET ASSETS	$ 1,868,922	$ 1,789,920

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

SAFETY CENTER INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
UNRESTRICTED NET ASSETS:		
REVENUES:		
Alcohol and drug programs	$ 3,309,248	$ 3,279,841
Safety training and product costs	1,271,647	1,159,621
Community safety	628,012	583,191
Donations	24,953	26,234
Membership dues	14,837	11,474
Other income	10,683	11,324
Release of temporarily restricted net assets	165,333	160,085
Total revenues	5,424,713	5,231,770
EXPENSES:		
Alcohol and drug programs	3,156,271	2,981,057
Safety training and product costs	1,261,842	1,162,544
Community safety	901,591	835,814
Membership services	13,126	9,202
Other	6,115	12,600
Total expenses	5,338,945	5,001,217
INCREASE IN UNRESTRICTED NET ASSETS	85,768	230,553
TEMPORARILY RESTRICTED NET ASSETS:		
Grants	161,000	145,000
Release of temporarily restricted net assets	(165,333)	(160,085)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(4,333)	(15,085)
INCREASE IN NET ASSETS	81,435	215,468
NET ASSETS, Beginning of Year	949,283	733,815
NET ASSETS, End of Year	$ 1,030,718	$ 949,283

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

SAFETY CENTER INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 81,435	$ 215,468
Reconciliation to net cash provided by operating activities:		
Depreciation	85,732	92,781
Amortization of leasehold interest in land	4,333	4,334
Changes in:		
Accounts receivable, net	(27,562)	(25,745)
Other assets	17,329	(34,757)
Accounts payable	(25,435)	28,350
Accrued expenses	24,240	57,733
Deferred revenues	(1,238)	44,581
Net cash provided by operating activities	158,834	382,745
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(200,384)	
Redemptions of certificates of deposit	100,192	
Purchases of property and equipment	(77,751)	(26,543)
Net cash used by investing activities	(177,943)	(26,543)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,109)	356,202
CASH AND CASH EQUIVALENTS, Beginning of Year	635,811	279,609
CASH AND CASH EQUIVALENTS, End of Year	$ 616,702	$ 635,811

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.

Certificates of deposits are valued at cost.

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 Center 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) of the Internal Revenue Code and the corresponding provision of the California Revenue and Taxation Code, but is subject to income taxes from activities unrelated to its tax-exempt purpose.

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 $4,265,558 for 2018 and $3,950,270 for 2017.

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 October 8, 2018, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2018 that requires recognition or disclosure in the financial statements.

2. ACCOUNTS RECEIVABLE

Most of the Center's accounts receivable represents unsecured amounts due from clients' participation in court-mandated traffic safety programs. Collection of these amounts is not assured, and management has established an allowance for uncollectible amounts of $11,184 and $13,151 as of June 30, 2018 and 2017, respectively. A reasonable possibility exists that amounts ultimately uncollectible may differ materially from the amounts recorded. 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 $899,000 and $954,000 as of June 30, 2018 and 2017, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Buildings and equipment	$ 3,714,091	$ 3,646,760
Furniture and fixtures	768,195	757,775
Total	4,482,286	4,404,535
Less accumulated depreciation	(3,848,341)	(3,762,609)
Property and equipment, net	$ 633,945	$ 641,926

4. NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 represent the remaining unamortized portion of the Center's leasehold interest in land.

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 $404,914 for 2018 and $372,385 for 2017. Future minimum lease payments under these agreements are as follows:

Fiscal year ending June 30:	
2019	$ 347,969
2020	317,274
2021	219,976
2022	177,269
2023	151,550
Thereafter	342,967
Total	$ 1,556,736

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. In 2017, the Center made an additional 1% discretionary contribution to all eligible plan participants. Participants vest in employer contributions at a rate of 20% per year beginning with completion of the third year of service. Pension expense was $35,552 for 2018 and $29,016 for 2017.

7. LINE OF CREDIT

The Center has a $100,000 unsecured line of credit with a bank. The line has a variable interest rate dependent on the Center's credit evaluation. As of June 30, 2018 and 2017 the interest rate was 11.5% and 11%, respectively. There was no outstanding balance as of June 30, 2018 and 2017. The line does not have an expiration date.