

FINANCIAL STATEMENTS

Mid-Atlantic Foundation for Safety and Education
Year Ended December 31, 2014 and 2013
With Report of Independent Auditors

Mid-Atlantic Foundation for Safety and Education

Financial Statements

Years Ended December 31, 2014 and 2013

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Report of Independent Auditors

Board of Directors
Mid-Atlantic Foundation for Safety and Education

We have audited the accompanying financial statements of Mid-Atlantic Foundation for Safety and Education (the Foundation) which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities and changes in net assets and 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 our audits to obtain reasonable assurance about whether the financial statements are free from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Atlantic Foundation for Safety and Education as of December 31, 2014 and 2013 and the results of its activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Johnson Lambert LLP'. The signature is written in a cursive, flowing style.

Falls Church, Virginia
May 4, 2015

Mid-Atlantic Foundation for Safety and Education

Statements of Financial Position

	December 31	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 363,942	\$ 152,201
Cash restricted for temporary programs	15,018	8,620
Contributions receivable from AAA Mid-Atlantic	78,274	238,214
Other assets	16,942	17,455
Total current assets	474,176	416,490
Property and equipment:		
Equipment and automobiles	183,201	137,632
Less allowance for depreciation	(97,896)	(77,242)
Property and equipment, net	85,305	60,390
Total assets	\$ 559,481	\$ 476,880
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 34,244	\$ 32,065
Due to AAA Mid-Atlantic, Inc.	282,449	200,394
Accrued payroll and related taxes	58,515	60,148
Total current liabilities	375,208	292,607
Net assets:		
Unrestricted	169,255	175,653
Temporarily restricted	15,018	8,620
Total net assets	184,273	184,273
Total liabilities and net assets	\$ 559,481	\$ 476,880

See accompanying notes.

Mid-Atlantic Foundation for Safety and Education

Statements of Activities and Changes in Net Assets

	Year ended December 31	
	2014	2013
Changes in unrestricted assets		
Revenues		
Contributions	\$ 770,232	\$ 781,024
Contributions AAA Mid-Atlantic, Inc.	371,167	487,281
Fund raising revenue	227,834	200,498
Interest income	1,898	1,909
	<u>1,371,131</u>	<u>1,470,712</u>
Net assets released from restriction	1,422	3,400
Total unrestricted revenues	<u>1,372,553</u>	<u>1,474,112</u>
Expenses		
Salaries, wages and payroll taxes	726,398	769,677
Pension and employee benefits	121,194	150,184
Contributions made	-	56,000
Occupancy	159,365	121,829
Insurance	20,352	22,041
Printing	10,216	11,059
Public relations	66,073	53,088
Depreciation	20,655	15,046
Auto operating	23,380	43,198
Travel and entertainment	25,196	25,314
Auditing	15,493	16,416
Consulting and other professional services	105,103	94,723
Dinner dance expense	22,020	11,968
Golf outing expense	42,481	43,889
Other expenses	21,025	43,300
Total unrestricted expenses	<u>1,378,951</u>	<u>1,477,732</u>
Decrease in unrestricted assets	<u>(6,398)</u>	<u>(3,620)</u>
Changes in temporarily restricted assets		
Contributions	7,820	7,020
Net assets released from restriction	(1,422)	(3,400)
Increase in temporarily restricted assets	<u>6,398</u>	<u>3,620</u>
Change in net assets	-	-
Net assets at beginning of year	184,273	184,273
Net assets at end of year	<u>\$ 184,273</u>	<u>\$ 184,273</u>

See accompanying notes.

Mid-Atlantic Foundation for Safety and Education

Statements of Cash Flows

	Year Ended December 31	
	2014	2013
Operating activities		
Adjustments to changes in net assets:		
Depreciation	\$ 20,655	\$ 15,046
Changes in operating assets and liabilities:		
Other assets	512	5,104
Contributions receivable	159,940	117,086
Accounts payable	2,179	(2,135)
Contributions payable	-	(60,000)
Due to AAA Mid-Atlantic, Inc.	82,055	88,390
Accrued payroll and related taxes	(1,633)	(26,111)
Cash provided by operating activities	<u>263,708</u>	<u>137,380</u>
Investing activities		
Equipment and automobiles acquired	<u>(45,569)</u>	<u>(23,739)</u>
Cash used in investing activities	<u>(45,569)</u>	<u>(23,739)</u>
Increase in cash and cash equivalents	218,139	113,641
Cash and cash equivalents at beginning of year	160,821	47,180
Cash and cash equivalents at end of year	<u>\$ 378,960</u>	<u>\$ 160,821</u>

See accompanying notes.

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements

December 31, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies

Organization

The Mid-Atlantic Foundation for Safety and Education (the “Foundation”) is a not-for-profit corporation established on June 21, 2002, to raise funds to support safety and educational program services and operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Presentation

Net assets have been presented in accordance with U.S. GAAP used for not-for-profit organizations. These standards require the Foundation to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – represents resources which have met all applicable restrictions and/or resources generated by other sources.

Temporarily restricted net assets – represents resources recognized as restricted support until such a time when all associated restrictions have been met.

Permanently restricted net assets – represents resources that contain a stipulation that permanently restricts the use of such funds but allows earnings from the funds to be used in a certain manner.

Certain amounts reported in the prior years’ financial statements have been reclassified to conform to the presentation adopted in the current year. These reclassifications had no effect on change in net assets or net assets of the prior year.

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions and Other Program Revenues

Contributions are considered to be unrestricted unless explicit donor stipulations specify how the donated assets must be used. Unrestricted donations are available for distribution in accordance with the Foundation's bylaws and are recorded at fair market value at the date of donation. Donations of cash or other assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When restrictions are met in the same period in which the contribution is received, the contribution is recorded as unrestricted support.

The Foundation receives its contributions primarily from members of AAA Mid-Atlantic Inc. ("AAA Mid-Atlantic"), which operates primarily in Pennsylvania, New Jersey, Virginia, Delaware, Maryland and the District of Columbia. When AAA Mid-Atlantic bills its members for annual dues, a contribution of \$1 – \$2 is included in the quoted dues. Such contributions are recorded as revenue when received. The member may waive this contribution without penalty.

In addition to member contributions, the Foundation may receive contributions from AAA Mid-Atlantic, Inc. upon consent of its Board of Directors to support the Foundation operations. See Note 2 for additional information.

The Foundation also receives contributions in the form of gifts or donations from non-members, including revenues from certain fund raising events or programs.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit and money-market accounts.

Revenue Recognition

Revenue from member contributions is recorded as revenue when received. Contributions from AAA Mid-Atlantic are accrued in accordance with the terms of administrative support agreements or commitments to the Foundation and are recorded as contributions receivable at December 31, 2014 and 2013.

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Foundation is not considered a private foundation. Management has concluded that the Foundation has maintained its exempt status. Additionally, management has concluded that there are no uncertain tax positions as of December 31, 2014.

Property and Equipment

Property and equipment consisting of computer equipment and a custom-built auto safety demonstration vehicle is stated at cost. Depreciation is provided by the straight-line method over a five-year useful life.

Pension Plan

Eligible employees of the Foundation are covered under the AAA Mid-Atlantic Defined Benefit Pension Plan. Accordingly, the Foundation has been charged \$26,233 and \$52,639 in 2014 and 2013, respectively, by AAA Mid-Atlantic for its portion of total pension expense. Pension plan expense is recorded in the statements of activities and changes in net assets as pension and employee benefits.

Eligible Foundation employees are also covered under the AAA Mid-Atlantic 401(k) and Defined Contribution Retirement Plan. The Foundation's expense for the defined contribution plan amounted to \$18,411 and \$19,796 in 2014 and 2013, respectively. Defined contribution plan expense is included in the statements of activities and changes in net assets as pension and employee benefit expense.

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

2. Related-Party Transactions

AAA Mid-Atlantic, upon consent of its Board of Directors, makes additional funding contributions to the Foundation in support of operations. AAA Mid-Atlantic, Inc. made additional funding contributions to the Foundation of \$78,274 and \$238,214, for the years ended December 31, 2014 and 2013, respectively.

The Foundation also receives contributions from AAA Mid-Atlantic in the form of “In-Kind” contributions reflecting the value of accounting and other support services received, as well as certain rent and related occupancy charges for building space provided for Foundation use. In-Kind contributions were \$292,893 and \$249,068 for the years ended December 31, 2014 and 2013, respectively and the related expenses are reflected as a component of “Salaries & wages,” “Occupancy” and “Consulting and other professional services” in the statements of activities and changes in net assets.

In 2013, the Foundation made a \$56,000 contribution to the AAA Foundation for Traffic Safety, a not-for-profit organization affiliated with the American Automobile Association, Incorporated. The Foundation did not make a contribution in 2014.

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

3. Restricted Net Assets

Foundation restricted net assets are available for the following purposes:

	December 31	
	2014	2013
Program operating activities:		
School safety patrol program	\$ 1,500	\$ 1,500
Tribute Funds – Harvest Ball	12,518	6,620
Safety from the start program	400	400
Otto the auto program	100	100
BikeSafe	500	-
Total temporarily restricted net assets	<u>\$ 15,018</u>	<u>\$ 8,620</u>

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes as follows:

	December 31	
	2014	2013
Purpose restrictions accomplished:		
Teen driving program	\$ -	\$ 1,300
Safety from the start program	1,422	2,100
Total restrictions released	<u>\$ 1,422</u>	<u>\$ 3,400</u>

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

4. Functional Expenses

The Foundation presents the expenses within the statements of activities and changes in net assets on a natural classification basis. For full functional reporting of expenses, salaries and overhead are allocated proportionately to programs and supporting services based on estimated personnel efforts. Fully allocated functional expenses for the years ended December 31, 2014 and 2013 are as follows:

	December 31	
	2014	2013
<hr/>		
Programs:		
Program service expense	\$ 1,054,687	\$1,195,153
Total programs	1,054,687	1,195,153
Fundraising expense	47,411	47,335
Management and general expense	276,853	235,244
Total functional expenses	<u>\$1,378,951</u>	<u>\$1,477,732</u>

5. Subsequent Events

Subsequent events through May 4, 2015, the date the financial statements were available to be issued, have been evaluated for disclosure and recognition.