



FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

THE CENTER FOR AUTO SAFETY

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JUNE 30, 2019 AND 2018

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Independent Auditors' Report

To the Board of Directors of
The Center for Auto Safety
Washington, D.C.

We have audited the accompanying financial statements of The Center for Auto Safety, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Auditors' 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 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 auditors' 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 auditors consider 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 The Center for Auto Safety as of June 30, 2019 and 2018, 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.

To the Board of Directors of
The Center for Auto Safety

Emphasis of Matter

As discussed in Note 3 of the financial statements, during the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
January 22, 2020

Certified Public Accountants

THE CENTER FOR AUTO SAFETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,075,749	\$ 803,332
Accounts Receivable	4,360	3,770
Contributions Receivable	16,667	64,167
Prepaid Expenses	21,894	18,652
Total Current Assets	1,118,669	889,920
Property and Equipment, at Cost		
Furniture and Equipment	156,706	155,880
Leasehold Improvements	810	810
Less Accumulated Depreciation	(156,303)	(155,666)
Property and Equipment, Net	1,213	1,024
Other Assets		
Investments	434,852	310,946
Security Deposit	6,313	6,313
Total Other Assets	441,165	317,259
Total Assets	\$ 1,561,047	\$ 1,208,203
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 13,295	\$ 20,684
Deferred Lease Obligation	19,960	33,149
Accrued Payroll	15,935	11,463
Total Current Liabilities	49,190	65,296
Net Assets		
Without Donor Restrictions	1,169,815	956,657
With Donor Restrictions	342,042	186,250
Total Net Assets	1,511,857	1,142,907
Total Liabilities and Net Assets	\$ 1,561,047	\$ 1,208,203

See accompanying Notes to Financial Statements.

THE CENTER FOR AUTO SAFETY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contributions	\$ 864,963	\$ 338,218	\$ 1,203,181	\$ 479,472	\$ 129,800	\$ 609,272
Publications/Library	14,234	-	14,234	4,494	-	4,494
Other Programs	4,650	-	4,650	400	-	400
Other Income	726	-	726	1,094	-	1,094
Investment Income	32,706	-	32,706	18,069	-	18,069
Net Assets Released from Restrictions						
Satisfaction of Program Accomplishment	182,426	(182,426)	-	138,550	(138,550)	-
Total Revenue and Support	<u>1,099,705</u>	<u>155,792</u>	<u>1,255,497</u>	<u>642,079</u>	<u>(8,750)</u>	<u>633,329</u>
Expenses						
Program Services						
Safe Climate Campaign	182,427	-	182,427	238,999	-	238,999
Vehicle Safety Project	587,883	-	587,883	431,174	-	431,174
Total Program Services	<u>770,310</u>	<u>-</u>	<u>770,310</u>	<u>670,173</u>	<u>-</u>	<u>670,173</u>
Supporting Services						
Management and General	85,804	-	85,804	106,094	-	106,094
Development	30,433	-	30,433	25,959	-	25,959
Total Supporting Services	<u>116,237</u>	<u>-</u>	<u>116,237</u>	<u>132,053</u>	<u>-</u>	<u>132,053</u>
Total Expenses	<u>886,547</u>	<u>-</u>	<u>886,547</u>	<u>802,226</u>	<u>-</u>	<u>802,226</u>
Change in Net Assets	213,158	155,792	368,950	(160,147)	(8,750)	(168,897)
Net Assets, Beginning of Year	956,657	186,250	1,142,907	1,116,804	195,000	1,311,804
Net Assets, End of Year	<u><u>\$ 1,169,815</u></u>	<u><u>\$ 342,042</u></u>	<u><u>\$ 1,511,857</u></u>	<u><u>\$ 956,657</u></u>	<u><u>\$ 186,250</u></u>	<u><u>\$ 1,142,907</u></u>

See accompanying Notes to Financial Statements.

THE CENTER FOR AUTO SAFETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			Total Expenses
	Safe Climate Campaign	Vehicle Safety Project	Total Program Services	Management and General	Development	Total Supporting Services	
Salaries	\$ 142,305	\$ 201,766	\$ 344,071	\$ 30,103	\$ 14,340	\$ 44,443	\$ 388,514
Payroll Taxes	11,091	15,725	26,816	2,346	1,118	3,464	30,280
Benefits	13,795	23,266	37,061	4,153	1,654	5,807	42,868
Retirement	11,300	18,715	30,015	4,212	1,330	5,542	35,557
Total Personnel and Related Expenses	178,491	259,472	437,963	40,814	18,442	59,256	497,219
Accounting	-	-	-	10,456	-	10,456	10,456
Bank Fees	-	-	-	655	-	655	655
Communications	-	3,904	3,904	582	777	1,359	5,263
Conference and Meetings	-	87	87	4,000	-	4,000	4,087
Consulting	-	149,731	149,731	85	41	126	149,857
Depreciation	-	522	522	78	37	115	637
Information Technology	-	6,407	6,407	268	128	396	6,803
Insurance	493	843	1,336	4,684	60	4,744	6,080
Marketing	-	-	-	-	-	-	-
Occupancy	-	116,488	116,488	19,347	9,216	28,563	145,051
Travel	772	7,042	7,814	-	-	-	7,814
Publications	-	37,266	37,266	-	-	-	37,266
Office	2,671	6,121	8,792	4,835	1,732	6,567	15,359
Total Expenses	\$ 182,427	\$ 587,883	\$ 770,310	\$ 85,804	\$ 30,433	\$ 116,237	\$ 886,547

See accompanying Notes to Financial Statements.

THE CENTER FOR AUTO SAFETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			
	Safe Climate Campaign	Vehicle Safety Project	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 136,111	\$ 194,854	\$ 330,965	\$ 53,202	\$ 12,938	\$ 66,140	\$ 397,105
Payroll Taxes	10,254	14,680	24,934	4,008	975	4,983	29,917
Benefits	11,429	22,934	34,363	6,591	1,523	8,114	42,477
Retirement	10,115	14,480	24,595	3,954	961	4,915	29,510
Total Personnel and Related Expenses	167,909	246,948	414,857	67,755	16,397	84,152	499,009
Accounting	-	-	-	11,648	-	11,648	11,648
Bank Fees	-	-	-	1,262	712	1,974	1,974
Communications	2,092	2,994	5,086	818	199	1,016	6,102
Conference and Meetings	-	4,261	4,261	99	43	142	4,403
Consulting	-	71,303	71,303	-	-	-	71,303
Depreciation	180	258	438	70	17	88	526
Information Technology	-	3,106	3,106	893	206	1,099	4,205
Insurance	1,728	2,473	4,201	675	164	839	5,040
Marketing	10,949	-	10,949	-	-	-	10,949
Occupancy	47,046	67,350	114,395	18,389	4,472	22,861	137,256
Travel	-	5,136	5,136	122	-	122	5,258
Publications	5,810	21,843	27,653	2,078	-	2,078	29,731
Office	3,286	5,502	8,788	2,285	3,749	6,034	14,822
Total Expenses	\$ 238,999	\$ 431,174	\$ 670,173	\$ 106,094	\$ 25,959	\$ 132,053	\$ 802,226

See accompanying Notes to Financial Statements.

THE CENTER FOR AUTO SAFETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 368,950	\$ (168,897)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	637	526
Gain on Investments	(12,964)	(13,400)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(590)	(3,337)
Contributions Receivable	47,500	156,692
Prepaid Expenses	(3,242)	(13,100)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	(7,389)	19,887
Deferred Lease Obligation	(13,189)	(9,778)
Accrued Payroll	4,472	(2,796)
Net Cash Provided by (Used in) Operating Activities	<u>384,185</u>	<u>(34,203)</u>
Cash Flows from Investing Activities		
Purchase of Equipment	(826)	(1,396)
Maturities of Investments	3,438	8,371
Purchase of Investments	<u>(114,380)</u>	<u>(10,881)</u>
Net Cash Used in Investing Activities	<u>(111,768)</u>	<u>(3,906)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	272,417	(38,109)
Cash and Cash Equivalents, Beginning of Year	<u>803,332</u>	<u>841,441</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,075,749</u></u>	<u><u>\$ 803,332</u></u>

See accompanying Notes to Financial Statements.

THE CENTER FOR AUTO SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. ORGANIZATION

The Center for Auto Safety (the Organization) is a not-for-profit organization formed in 1970 to analyze the problems of motor vehicle and highway safety and related problems; to make available the results of related research studies, investigations, evaluations, surveys and other related information to the public and other organizations with an interest in motor vehicles and highways; the Organization's program areas are:

Vehicle Safety Project - Research and analysis on vehicle safety and reliability, fuel, economy, emissions and warranty issues.

Safe Climate Campaign - The Safe Climate Campaign seeks to reduce global warming by educating consumers, automakers, and regulators about clean vehicles and by working with federal and state regulators to issue and implement effective fuel economy regulations and pollution reduction programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Classification of Net Assets

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to stipulation imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all short-term investments with original maturities of three months or less to be cash equivalents.

THE CENTER FOR AUTO SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

The Organization's demand deposits with financial institutions at times exceeded federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risks.

Accounts Receivable and Promises to Give

Accounts receivable and promises to give are recorded at the amount the Organization expects to collect on balances outstanding at the end of the fiscal year. Management closely monitors accounts receivable and charges off any balances that are determined to be uncollectible. At June 30, 2019 and 2018, the Organization's allowance for doubtful accounts was \$-0-. The Organization had no bad debt expense for the years ended June 30, 2019 and 2018.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on a straight-line basis over a three year or five year estimated useful life. The Organization capitalizes property and equipment with a cost basis of \$1,000 or more.

Revenue Recognition

Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and supporting services are summarized on a functional basis in the statements of activities and the statements of functional expenses. Expenses that are directly associated with a particular program or supporting service are charged directly to that functional area. Other expenses, including compensation, benefits, and general expenses have been allocated to the program and supporting services benefited, based on documentation of employee time and effort.

Income Taxes

The Organization has been recognized as exempt from federal income tax by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation.

THE CENTER FOR AUTO SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes measurement and disclosure requirements for current and deferred income tax provisions. The interpretation provides for a consistent approach in identifying and reporting uncertain tax provisions. It is management's belief that the Organization does not hold any uncertain tax positions.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU made improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit's liquidity, financial performance, and cash flows. The ASU became effective for fiscal years beginning after December 15, 2017. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. These financial statements do not include the disclosure about the Organization's liquidity for the year ended June 30, 2018. See Note 4 for the disclosure of the Organization's liquidity at June 30, 2019.

4. LIQUIDITY AND AVAILABLE RESOURCES

Liquidity and Available Resources

The Organization's cash flows have seasonal variations due to the timing of contributions. The Organization manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

Qualitative Analysis

As of June 30, 2019, the following financial assets and liquidity sources were available for general operating expenditure in the year ending June 30, 2020.

Financial Assets

Cash and Cash Equivalents	\$ 1,075,749
Investments	434,852
Contributions Receivable	16,667
Accounts Receivable	<u>4,360</u>
Total Financial Assets and Liquidity Resources Available within One Year	<u><u>\$ 1,531,628</u></u>

THE CENTER FOR AUTO SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. INVESTMENTS

Investment income is comprised of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and Ordinary Dividend Income	\$ 14,270	\$ 2,549
Realized and Unrealized Gain	<u>12,964</u>	<u>13,400</u>
Total	<u>\$ 27,234</u>	<u>\$ 15,949</u>

The Organization's demand deposit and money market accounts earned \$5,472 and \$2,120 for the years ended June 30, 2019 and 2018, respectively.

In 2019, the Organization adopted ASU 2016-04, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, for presentation of investment revenues and investment expenses. Accordingly, investment revenues are reported net of related external and direct internal investment expenses in the statements of activities for the years ended June 30, 2019 and 2018. The amount of expenses netted with revenues was \$4,103 for the year ended June 30, 2019, and \$4,166 for the year ended June 30, 2018.

6. FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurement and Disclosure*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In accordance with FASB ASC 820-10, fair value is defined as the price that the Organization would receive to sell an investment or to pay to transfer a liability in an orderly transaction with an independent counterparty in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The FASB ASC 820-10 hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

The Organization's investments in equity securities are reported at fair value in the accompanying statements of financial position.

THE CENTER FOR AUTO SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

6. FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Inputs Other than Quoted Prices for Identical Assets (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Balance as of June 30, 2019</u>				
Money Market Funds	\$ 4,862	\$ 4,862	\$ -	\$ -
Fixed Income Funds	195,423	195,423	-	-
Equity Mutual Funds	234,567	234,567	-	-
Total	<u>\$ 434,852</u>	<u>\$ 434,852</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Inputs Other than Quoted Prices for Identical Assets (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Balance as of June 30, 2018</u>				
Money Market Funds	\$ 3,163	\$ 3,163	\$ -	\$ -
Fixed Income Funds	109,296	109,296	-	-
Equity Mutual Funds	198,487	198,487	-	-
Total	<u>\$ 310,946</u>	<u>\$ 310,946</u>	<u>\$ -</u>	<u>\$ -</u>

7. OPERATING LEASE

In May 2014, the Organization entered into a lease agreement extension for its office in Washington, D.C., for a period of 6 years and 4 months. The lease is set to expire in August 2020. The lease provided a rent waiver for the premises totaling \$52,551. In addition, the lease contains provisions for annual rental increases of 2.5%.

Under accounting principles accepted in the United States of America (GAAP) all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the rent expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense.

The difference between GAAP rent expense and the required lease payments is reflected as a deferred lease obligation in the accompanying statements of financial position. Rent expense under the lease for the year ended June 30, 2019, was \$145,052.

Future minimum payments for the office lease is as follows:

For the Years Ending June 30,

2020	\$ 139,795
2021	<u>24,377</u>
Future Minimum Rental Payments	<u>\$ 164,172</u>

THE CENTER FOR AUTO SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

8. RETIREMENT PLAN

The Organization maintains a defined contribution Simplified Employee Pension Plan (SEP) covering all employees who have been employed for a minimum of three years and have attained the age of 21. The SEP is an employer contribution plan (the Plan) and requires no matching contribution from the participants. Any contributions by the Organization are discretionary. Contributions by the Organization to the Plan during the years ended June 30, 2019 and 2018, were \$35,558 and \$29,510, respectively. These amounts are included in employee benefits on the accompanying statements of functional expenses.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the Safe Climate Campaign Program. The balance of net assets with donor restrictions at June 30, 2019 and 2018, were \$342,042 and \$186,250, respectively.

10. SUBSEQUENT EVENTS

The Organization evaluated subsequent events through January 22, 2020, which is the date the financial statements were available to be issued. No subsequent events requiring disclosure were identified based on this evaluation.