

CENTER FOR AUTO SAFETY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2017 AND 2016

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Chaconas & Wilson, P.C.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Center for Auto Safety
Washington, DC

We have audited the accompanying financial statements of the Center for Auto Safety (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

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 organization'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 organization'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, 2017 and 2016 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.

Chaconas & Wilson, P.C.

Washington, DC
December 27, 2017

CENTER FOR AUTO SAFETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 841,441	\$ 70,057
Accounts receivable (Note 2)	434	6,601
Contributions receivable (Note 2)	220,859	95,025
Prepaid expenses	5,551	1,356
Total Current Assets	\$ 1,068,285	\$ 173,039
PROPERTY AND EQUIPMENT, at cost (Note 2)		
Furniture and equipment	\$ 155,294	\$ 155,294
Less, accumulated depreciation	(155,140)	(153,830)
Property and Equipment, net	\$ 154	\$ 1,464
OTHER ASSETS		
Investments (Notes 2, 4 and 5)	\$ 295,036	\$ 272,483
Security deposit	6,313	6,313
Total Other Assets	\$ 301,349	\$ 278,796
TOTAL ASSETS	\$ 1,369,788	\$ 453,299

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 799	\$ 1,725
Deferred Lease Obligation (Note 7)	42,927	49,381
Accrued payroll	14,259	19,020
Total Current Liabilities	\$ 57,985	\$ 70,126
NET ASSETS:		
Unrestricted	\$ 1,071,187	\$ 299,840
Temporarily restricted (Note 2 and 8)	240,616	83,333
Total Net Assets	\$ 1,311,803	\$ 383,173
TOTAL LIABILITIES AND NET ASSETS	\$ 1,369,788	\$ 453,299

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

CENTER FOR AUTO SAFETY

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions (Note 2)	\$ 1,193,533	\$ 238,983	\$ 1,432,516
Publications/library	2,885	-	2,885
Other programs	2,800	-	2,800
Investment income (Note 4)	27,527	-	27,527
Net assets released from restriction: satisfaction of program accomplishment	81,700	(81,700)	-
	\$ 1,308,445	\$ 157,283	\$ 1,465,728
EXPENSES:			
Program services:			
Vehicle Safety Project	\$ 175,623	\$ -	\$ 175,623
Safe Climate Campaign	217,569	-	217,569
Membership Services	45,921	-	45,921
Publications	25,429	-	25,429
Energy Conservation Project	10,812	-	10,812
Total Program Services	\$ 475,354	\$ -	\$ 475,354
Supporting services:			
Management and general	\$ 32,846	\$ -	\$ 32,846
Development	28,898	-	28,898
Total Supporting Services	\$ 61,744	\$ -	\$ 61,744
Total Expenses	\$ 537,098	\$ -	\$ 537,098
CHANGE IN NET ASSETS	\$ 771,347	\$ 157,283	\$ 928,630
NET ASSETS, BEGINNING OF YEAR	299,840	83,333	383,173
NET ASSETS, END OF YEAR	\$ 1,071,187	\$ 240,616	\$ 1,311,803

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

	2016		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions (Note 2)	\$ 440,280	\$ 165,033	\$ 605,313
Publications/library	9,449	-	9,449
Other programs	4,100	-	4,100
Investment income (Note 4)	1,538	-	1,538
Net assets released from restriction: satisfaction of program accomplishment	81,700	(81,700)	-
Total Support and Revenue	\$ 537,067	\$ 83,333	\$ 620,400
EXPENSES:			
Program services:			
Vehicle Safety Project	\$ 225,141	\$ -	\$ 225,141
Safe Climate Campaign	134,815	-	134,815
Membership Services	49,194	-	49,194
Publications	28,520	-	28,520
Energy Conservation Project	23,974	-	23,974
Total Program Services	\$ 461,644	\$ -	\$ 461,644
Supporting services:			
Management and general	\$ 24,115	\$ -	\$ 24,115
Development	17,603	-	17,603
Total Supporting Services	\$ 41,718	\$ -	\$ 41,718
Total Expenses	\$ 503,362	\$ -	\$ 503,362
CHANGE IN NET ASSETS	\$ 33,705	\$ 83,333	\$ 117,038
NET ASSETS, BEGINNING OF YEAR	266,135	-	266,135
NET ASSETS, END OF YEAR	\$ 299,840	\$ 83,333	\$ 383,173

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

CENTER FOR AUTO SAFETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services					Supporting Services			Total Expenses	
	Vehicle Safety Project	Safe Climate Campaign	Membership Services	Publications	Energy Conservation Project	Total Program Services	Management and General	Development		Total Supporting Services
Salaries	\$ 76,958	\$ 105,000	\$ 17,000	\$ 9,500	\$ 5,104	\$ 213,562	\$ 12,541	\$ 7,552	\$ 20,093	\$ 233,655
Payroll taxes	6,245	8,521	1,380	771	414	17,331	1,018	612	1,630	18,961
Employee benefits	21,550	29,402	4,760	2,660	1,430	59,802	3,511	2,115	5,626	65,428
Total personnel and related expenses	\$ 104,753	\$ 142,923	\$ 23,140	\$ 12,931	\$ 6,948	\$ 290,695	\$ 17,070	\$ 10,279	\$ 27,349	\$ 318,044
Accounting	3,831	5,227	846	473	254	10,631	625	376	1,001	11,632
Bank fees	-	-	606	-	-	606	5,050	-	5,050	5,656
Computer services	1,139	1,554	252	141	76	3,162	183	112	295	3,457
Insurance	1,122	1,531	248	139	74	3,114	183	110	293	3,407
Occupancy	45,416	61,965	10,032	5,606	3,012	126,031	7,402	4,457	11,859	137,890
Printing and publications	5,765	-	2,439	166	146	8,516	88	5,475	5,563	14,079
Postage and mailing	2,750	-	4,208	4,750	-	11,708	46	6,171	6,217	17,925
Professional and temporary services	5,818	-	3,093	688	-	9,599	-	1,226	1,226	10,825
Supplies and office expense	2,212	880	492	220	132	3,936	1,218	440	1,658	5,594
Telephone	2,126	2,900	470	262	141	5,899	345	209	554	6,453
Travel	260	-	-	-	-	260	566	-	566	826
Total expenses before depreciation	\$ 175,192	\$ 216,980	\$ 45,826	\$ 25,376	\$ 10,783	\$ 474,157	\$ 32,776	\$ 28,855	\$ 61,631	\$ 535,788
Depreciation	431	589	95	53	29	1,197	70	43	113	1,310
Total expenses	\$ 175,623	\$ 217,569	\$ 45,921	\$ 25,429	\$ 10,812	\$ 475,354	\$ 32,846	\$ 28,898	\$ 61,744	\$ 537,098

The accompanying notes are an integral part of this financial statement

CENTER FOR AUTO SAFETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services					Supporting Services			Total Expenses	
	Vehicle Safety Project	Safe Climate Campaign	Membership Services	Publications	Energy Conservation Project	Total Program Services	Management and General	Development		Total Supporting Services
Salaries	\$ 89,347	\$ 60,331	\$ 17,974	\$ 8,987	\$ 10,264	\$ 186,903	\$ 9,627	\$ 5,132	\$ 14,759	\$ 201,662
Payroll taxes	7,096	4,799	1,430	715	813	14,853	543	406	949	15,802
Employee benefits	29,533	19,524	4,752	1,933	3,071	58,813	3,390	1,536	4,926	63,739
Total personnel and related expenses	\$ 125,976	\$ 84,654	\$ 24,156	\$ 11,635	\$ 14,148	\$ 260,569	\$ 13,560	\$ 7,074	\$ 20,634	\$ 281,203
Accounting	5,714	1,614	1,634	1,509	604	11,075	261	205	466	11,541
Bank fees	-	-	574	-	-	574	2,376	-	2,376	2,950
Computer services	941	-	470	231	133	1,775	-	-	-	1,775
Insurance	1,172	813	120	48	96	2,249	93	48	141	2,390
Occupancy	68,220	46,066	13,724	6,862	7,837	142,709	7,350	3,919	11,269	153,978
Printing and publications	4,279	-	4,215	1,442	144	10,080	85	3,838	3,923	14,003
Postage and mailing	2,678	-	1,256	1,619	-	5,553	-	2,259	2,259	7,812
Professional and temporary services	9,000	-	718	3,890	-	13,608	-	-	-	13,608
Supplies and office expense	3,701	372	629	775	543	6,020	79	1	80	6,100
Telephone	2,688	775	1,543	431	380	5,817	228	-	228	6,045
Travel	-	-	-	-	-	-	-	-	-	-
Total expenses before depreciation	\$ 224,369	\$ 134,294	\$ 49,039	\$ 28,442	\$ 23,885	\$ 460,029	\$ 24,032	\$ 17,344	\$ 41,376	\$ 501,405
Depreciation	772	521	155	78	89	1,615	83	44	127	1,742
Total expenses	\$ 225,141	\$ 134,815	\$ 49,194	\$ 28,520	\$ 23,974	\$ 461,644	\$ 24,115	\$ 17,388	\$ 41,503	\$ 503,147

The accompanying notes are an integral part of this financial statement

CENTER FOR AUTO SAFETY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 928,630	\$ 117,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,310	1,742
Unrealized (gain) loss on investments	(21,684)	4,849
(Increase) decrease in assets:		
Accounts receivable	6,167	8,512
Contributions receivable	(125,834)	(91,430)
Prepaid expenses	(4,195)	-
Increase (decrease) in liabilities:		
Accounts payable	(926)	315
Deferred lease obligation	(6,454)	17,892
Accrued payroll	(4,761)	1,108
	<u>\$ 772,253</u>	<u>\$ 60,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of investments	\$ 112,803	\$ 96,177
Purchase of investments	(113,672)	(106,350)
	<u>\$ (869)</u>	<u>\$ (10,173)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 771,384	\$ 49,853
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	70,057	20,204
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 841,441	\$ 70,057

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

CENTER FOR AUTO SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1. Organization:

The Center for Auto Safety, Inc. (CAS) is a not-for-profit organization formed in 1970 to analyze the problems of motor vehicle and highway safety and related problems, and to make available the results of research studies, investigations, evaluations and surveys to the public and other organizations with an interest in safer motor vehicles and highways. CAS'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.

Membership Services – Member services are provided to individuals who have a common interest in auto safety to form an effective channel of communication throughout the membership.

Publications – writing, production and distribution of newsletters, books and pamphlets on various vehicle and highway design issues.

Energy Conservation Project – Evaluates the feasibility of higher fuel economy standards for automobiles, development of a safety and fuel economy clearinghouse for interested organizations and the public.

Note 2. Summary of Significant Accounting Policies:

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Contributions

CAS recognizes contribution revenue when an unconditional pledge is made or when cash is received if a pledge was not made. Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted, based on donor intent.

Cash Equivalents

CAS considers all short term investments with original maturities of three months or less to be cash equivalents.

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

CENTER FOR AUTO SAFETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

Note 2. Summary of Significant Accounting Policies: (Continued)

Accounts Receivable and Contributions Receivable

Accounts and contributions receivable are recorded at the amount CAS expects to collect on balances outstanding at the end of the fiscal year. Management closely monitors these receivables and charges off any balances that are determined to be uncollectible. As of June 30, 2017, and 2016, CAS's allowance for doubtful accounts for accounts and contributions receivable was \$0. CAS had no bad debt expense from contributions for the years ended in 2017 and 2016.

Contributions receivable are due in one year or less.

Investments

Investments are recorded at estimated fair values based on quoted market prices provided by the investment managers. Realized and unrealized gains and losses are included with investment income in the statements of activities as increases or decreases in unrestricted net assets unless restricted by donor or by law.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is calculated on a straight-line basis over a three year or five year estimated useful life. CAS capitalizes property and equipment purchases of \$500 or more.

Classes of Net Assets

CAS is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are net assets without a donor imposed time and/or program restriction. The funds are available for general operating purposes.

Temporarily restricted net assets are contributions with donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period or after a specified date. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the accompanying statements of activities as net assets released from restrictions. This method of accounting is also followed when the restrictions on contributions are met in the same period that the contributions are received.

Permanently restricted net assets must be maintained by CAS in perpetuity. There were no permanently restricted net assets as of June 30, 2017 or 2016.

CENTER FOR AUTO SAFETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

Note 2. Summary of Significant Accounting Policies (Concluded):

Functional Allocation of Expenses

The allocation of the costs of providing various programs has been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain indirect costs have been allocated to program and supporting activities based on management's estimate of effort devoted to these activities.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for Uncertainty in Income Taxes

CAS has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *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 positions. It is management's belief that CAS does not hold any uncertain tax positions.

Note 3. Tax Status:

CAS 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.

Note 4. Investments:

Merrill Lynch serves as the custodian of the CAS's investments. At June 30, 2017 and 2016, the CAS's investments consisted of mutual equity and money market accounts. These securities are recorded at fair market value, based on quoted market prices. Realized and unrealized gain and losses are reflected as part of total investment income. Interest income is recognized when earned. The balance of investments at June 30, 2017 and 2016 was \$295,036 and \$272,483, respectively.

CENTER FOR AUTO SAFETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

Note 4. Investments (Concluded)

Investment income is comprised of the following at June 30:

	2017	2016
Interest and ordinary dividend income	\$ 5,406	\$ 6,350
Unrealized gain (loss)	21,684	(4,849)
Total	\$ 27,090	\$ 1,501

CAS's demand deposit accounts earned \$437 and \$37 for the years ended June 30, 2017 and 2016, respectively.

Note 5. 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 CAS 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. CAS uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

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

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Inputs Other than Quoted Prices for Identical Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Balance as of June 30, 2017				
Money market funds	\$ 3,026	\$ 3,026	\$ ---	\$ ---
Equity Mutual Funds	292,010	292,010	---	---
Total	\$ 295,036	\$ 295,036	\$ ---	\$ ---
Balance as of June 30, 2016				
Money market funds	\$ 2,591	\$ 2,591	\$ ---	\$ ---
Equity Mutual Funds	269,892	269,482	---	---
Total	\$ 272,483	\$ 272,483	\$ ---	\$ ---

CENTER FOR AUTO SAFETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017 AND 2016

Note 6. Pension Plan:

CAS 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 and requires no matching contribution from the participants. Any contributions by CAS are discretionary. Contributions by CAS to the Plan during the years ended June 30, 2017 and 2016 were \$24,936 and \$20,361, respectively. These amounts are included in "employee benefits" on the accompanying statements of functional expenses.

Note 7. Operating Lease Commitment:

In May 2014, CAS entered into a lease agreement extension for its office in Washington, DC 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 generally 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 the GAAP rent expense and the required lease payments is reflected as a deferred lease obligation in the accompanying statements of financial position.

Future minimum lease payments under the lease are as follows for the years ending June 30:

2018	\$	136,386
2019		139,795
2020		143,290
2021		24,377
Total	\$	<u>443,848</u>

Rent expense was \$ 137,890 and \$153,978 for the years ended June 30, 2017 and 2016, respectively.

Note 8. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the Safe Climate Campaign program. The balance of temporarily restricted net assets at June 30, 2017 and 2016 was \$240,616 and \$83,333 respectively.

CENTER FOR AUTO SAFETY

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

JUNE 30, 2017 AND 2016

Note 9. Subsequent events

CAS has evaluated all subsequent events through December 27, 2017 which is the date the financial statements were available to be issued. No subsequent events requiring disclosure or reporting were identified.

