

FINANCIAL STATEMENTS

Mid-Atlantic Foundation for Safety and Education
As of December 31, 2017 and 2016
For the Years Ended December 31, 2017 and 2016

Mid-Atlantic Foundation for Safety and Education
December 31, 2017 and 2016

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Report of Independent Auditors

To the Board of Directors of
Mid-Atlantic Foundation for Safety and Education

We have audited the accompanying financial statements of Mid-Atlantic Foundation for Safety and Education, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 audit 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 our 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, we consider internal control relevant to the Company'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 Company'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, 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.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
June 8, 2018

Mid-Atlantic Foundation for Safety and Education
Statements of Financial Position

	December 31,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,012	\$ 838,186
Cash restricted for temporary programs	33,198	23,234
Contributions receivable from AAA Club Alliance Inc.	195,908	163,523
Accounts receivable	26,789	5,500
Other assets	11,607	10,802
Total current assets	314,514	1,041,245
Property and equipment, net:		
Equipment and automobiles	202,368	207,007
Less accumulated depreciation	(157,845)	(134,790)
Property and equipment, net	44,523	72,217
Total assets	\$ 359,037	\$ 1,113,462
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 818	\$ 31,988
Due to AAA Club Alliance Inc.	139,351	859,139
Accrued payroll and related taxes	34,595	38,062
Total current liabilities	174,764	929,189
Net assets:		
Unrestricted	151,075	161,039
Temporarily restricted	33,198	23,234
Total net assets	184,273	184,273
Total liabilities and net assets	\$ 359,037	\$ 1,113,462

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

Mid-Atlantic Foundation for Safety and Education
Statements of Activities and Changes in Net Assets

	Years Ended December 31,	
	2017	2016
Changes in unrestricted assets		
Revenues		
Contributions	\$ 755,649	\$ 751,600
Contributions AAA Club Alliance Inc.	404,196	367,765
Fund raising revenue	182,889	190,346
Interest income	1,631	3,702
	1,344,365	1,313,413
Net assets released from restriction	136	27,800
Total unrestricted revenues	1,344,501	1,341,213
Expenses		
Salaries, wages and payroll taxes	741,638	762,199
Pension and employee benefits	213,068	127,832
Occupancy	74,523	81,626
Insurance	15,589	19,059
Public relations	23,498	46,593
Depreciation	26,156	29,199
Auto operating	18,867	23,112
Travel and entertainment	18,977	34,349
Auditing	16,000	16,275
Consulting and other professional services	105,634	98,439
Dinner dance expense	12,715	15,241
Golf outing expense	38,694	34,823
Other expenses	49,106	55,141
Total unrestricted expenses	1,354,465	1,343,888
Decrease in unrestricted assets	(9,964)	(2,675)
Changes in temporarily restricted assets		
Contributions	10,100	30,475
Net assets released from restriction	(136)	(27,800)
Increase in temporarily restricted assets	9,964	2,675
Change in net assets	-	-
Net assets at beginning of year	184,273	184,273
Net assets at end of year	\$ 184,273	\$ 184,273

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

Mid-Atlantic Foundation for Safety and Education
Statements of Cash Flows

	Years Ended December 31,	
	2017	2016
Operating activities		
Change in net assets	\$ -	\$ -
Adjustments to changes in net assets:		
Depreciation	26,156	29,199
Realized loss on disposal of fixed assets	-	714
Changes in operating assets and liabilities:		
Other assets	(805)	693
Contributions receivable	(32,385)	47,104
Accounts receivable	(21,289)	(1,016)
Accounts payable	(29,632)	631
Due to AAA Club Alliance, Inc.	(719,788)	702,199
Accrued payroll and related taxes	(3,467)	(1,978)
Cash (used in) provided by operating activities	(781,210)	777,546
Investing activities		
Property and equipment acquired	-	(21,500)
Cash used in investing activities	-	(21,500)
(Decrease) increase in cash and cash equivalents	(781,210)	756,046
Cash, cash equivalents, and restricted cash at beginning of year	861,420	105,374
Cash, cash equivalents, and restricted cash at end of year	\$ 80,210	\$ 861,420

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

Mid-Atlantic Foundation for Safety and Education
Notes to Financial Statements
December 31, 2017 and 2016

1. Organization

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.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance 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 two 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.

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 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.

Mid-Atlantic Foundation for Safety and Education
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The Foundation receives its contributions primarily from Mid-Atlantic territory members of AAA Club Alliance Inc. (“ACA”), a membership organization providing automobile, travel and insurance services to its members. ACA is a not-for-profit (income tax paying) corporation and is a fully accredited member of the American Automobile Association, Inc. The Mid-Atlantic territory members of ACA reflect AAA membership residing primarily in the States of Pennsylvania, New Jersey, Virginia, Delaware, Maryland and the District of Columbia. When ACA bills its Mid-Atlantic territory 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 ACA upon consent of ACA’s Board of Directors to support the Foundation operations. See Note 3 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.

The following table provides a reconciliation to cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of such amounts shown in the statements of cash flow:

	December 31,	
	2017	2016
Cash and cash equivalents	\$ 47,012	\$ 838,186
Restricted cash	33,198	23,234
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 80,210	\$ 861,420

Revenue Recognition

Revenue from member contributions is recorded as revenue when received. Contributions from ACA 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 2017 and 2016.

Mid-Atlantic Foundation for Safety and Education
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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, 2017.

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 three to five year useful life.

Employee Benefit Plans

Eligible employees of the Foundation are covered under the AAA Mid-Atlantic Defined Benefit Pension Plan. An affiliate is the plan sponsor of the plan as a result in accordance with ASC 715 the Foundation records pension expense based on the required contribution to the plan. Accordingly, the Foundation has been charged \$26,902 and \$18,204 in 2017 and 2016, respectively, by ACA for its portion of total pension expense of the AAA Mid-Atlantic Defined Benefit Plan. 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 Club Alliance Inc. 401(k) Retirement Savings Plan. During 2016, the Company contributions to the plan with respect to the participants' pretax contributions as a percentage of their eligible compensation were 3.5% of Company contributions over the first 6% of employee contributions plus a non-elective 4% Company match. On January 1, 2017, the Company amended the Company contribution components for all participants. Company contributions to the new plan with respect to the participants' pretax contributions as a percentage of their eligible compensation were 5% of Company contributions over the first 4% of employee contributions and 2% of Company contributions over the next 2% of employee contributions. The Foundation's expense for the defined contribution plan amounted to \$43,305 and \$40,015 in 2017 and 2016, respectively. Defined contribution plan expense is included in the statements of activities and changes in net assets as pension and employee benefits.

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Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, “Presentation of Financial Statements for Not-for-Profit Entities”. This standard marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. Under the new guidance, the existing three categories of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted net assets into a single category called “net assets with donor restrictions” and renames unrestricted net assets as “net assets without donor restrictions.” There will be new reporting requirements for expenses and additional disclosures to describe an organization’s liquidity. The standard is effective for fiscal years beginning after December 15, 2017. The Foundation is currently assessing the impact this standard will have on its financial statements.

In August 2016, the Financial Accounting Standards Board issued ASU 2016-18, “Statement of Cash Flows: Restricted Cash”. This standard requires that a statement of cash flows explain the change in total cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. As permitted by the amendment, the Foundation has elected to early adopt this amendment in 2017 and there was no impact on 2016 balances.

3. Related-Party Transactions

AAA Club Alliance Inc, upon consent of its Board of Directors, makes additional funding contributions to the Foundation in support of operations. ACA made additional funding contributions to the Foundation of \$195,908 and \$163,523 for the years ended December 31 2017 and 2016, respectively.

The Foundation also receives contributions from ACA 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 \$208,288 and \$204,242 for the years ended December 31, 2017 and 2016, respectively, which are reflected as a component of “Contribution AAA Club Alliance Inc” revenues and the related expenses are reflected as a component of Salaries, wages and payroll taxes, “Occupancy” and “Consulting and other professional services” in the statements of activities and changes in net assets.

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4. Restricted Net Assets

Foundation restricted net assets are available for the following purposes:

	December 31,	
	2017	2016
Program operating activities:		
Tribute Funds – Harvest Ball	\$ 9,293	\$ 9,293
General Fund	2,500	1,500
Safety from the Start program	5,164	5,300
iDrive on the Go	8,850	4,750
Otto the Auto program	1,391	1,391
BikeSafe	1,000	1,000
Bill Miller Scholarship Fund	5,000	-
Total temporarily restricted net assets	\$ 33,198	\$ 23,234

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

	December 31,	
	2017	2016
Purpose restrictions accomplished:		
Tribute Funds – Harvest Ball	\$ -	\$ 2,281
Safety from the Start Program	136	-
iDrive on the Go	-	18,325
Otto the Auto program	-	7,194
BikeSafe	-	-
Total restrictions released	\$ 136	\$ 27,800

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5. 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, 2017 and 2016 are as follows:

	December 31,	
	2017	2016
Programs:		
Program service expense	\$ 1,097,289	\$ 1,089,232
Total programs	1,097,289	1,089,232
Fundraising expense	56,995	37,074
Management and general expense	200,181	217,582
Total functional expenses	\$ 1,354,465	\$ 1,343,888

6. Subsequent Events

Subsequent events through June 8, 2018, the date the financial statements were available to be issued, have been evaluated for disclosure and recognition.