



FINANCIAL STATEMENTS

Mid-Atlantic Foundation for Safety and Education
Year Ended December 31, 2016 and 2015
With Report of Independent Auditors

Mid-Atlantic Foundation for Safety and Education

Financial Statements

Years Ended December 31, 2016 and 2015

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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 statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets and of cash flows for the year 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 audit. We conducted our audit 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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Company as of December 31, 2015 and for the year then ended were audited by other auditors whose report, dated July 1, 2016, expressed an unmodified opinion on those statements.

PricewaterhouseCoopers LLP

October 19, 2017

Mid-Atlantic Foundation for Safety and Education

Statements of Financial Position

	December 31	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 838,186	\$ 85,797
Cash restricted for temporary programs	23,234	19,577
Contributions receivable from AAA Club Alliance, Inc.	163,523	210,627
Other assets	16,302	15,980
Total current assets	<u>1,041,245</u>	<u>331,981</u>
Property and equipment:		
Equipment and automobiles	207,007	206,934
Less accumulated depreciation	(134,790)	(126,305)
Property and equipment, net	<u>72,217</u>	<u>80,629</u>
Total assets	<u><u>\$ 1,113,462</u></u>	<u><u>\$ 412,610</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 31,988	\$ 31,357
Due to AAA Club Alliance, Inc.	859,139	156,940
Accrued payroll and related taxes	38,062	40,040
Total current liabilities	<u>929,189</u>	<u>228,337</u>
Net assets:		
Unrestricted	161,039	164,696
Temporarily restricted	23,234	19,577
Total net assets	<u>184,273</u>	<u>184,273</u>
Total liabilities and net assets	<u><u>\$ 1,113,462</u></u>	<u><u>\$ 412,610</u></u>

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

	Year Ended December 31	
	2016	2015
Changes in unrestricted assets		
Revenues		
Contributions	\$ 751,600	\$ 831,423
Contributions AAA Club Alliance, Inc.	367,765	505,388
Fund raising revenue	190,346	209,263
Interest income	3,702	2,051
	<u>1,313,413</u>	<u>1,548,125</u>
Net assets released from restriction	27,800	16,762
Total unrestricted revenues	<u>1,341,213</u>	<u>1,564,886</u>
Expenses		
Salaries, wages and payroll taxes	762,199	773,558
Pension and employee benefits	127,832	135,822
Occupancy	81,626	159,365
Insurance	19,059	16,267
Printing	-	5,467
Public relations	46,593	112,980
Depreciation	29,199	28,409
Auto operating	23,112	27,839
Travel and entertainment	34,349	43,427
Auditing	16,275	15,500
Consulting and other professional services	98,439	103,734
Dinner dance expense	15,241	17,572
Golf outing expense	34,823	32,489
Other expenses	55,141	97,016
Total unrestricted expenses	<u>1,343,888</u>	<u>1,569,445</u>
Decrease in unrestricted assets	<u>(2,675)</u>	<u>(4,559)</u>
Changes in temporarily restricted assets		
Contributions	30,475	21,321
Net assets released from restriction	(27,800)	(16,762)
Increase in temporarily restricted assets	<u>2,675</u>	<u>4,559</u>
Change in net assets	-	-
Net assets at beginning of year	<u>184,273</u>	<u>184,273</u>
Net assets at end of year	<u>\$ 184,273</u>	<u>\$ 184,273</u>

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

Mid-Atlantic Foundation for Safety and Education

Statements of Cash Flows

	Year Ended December 31	
	2016	2015
Operating activities		
Change in net assets	\$ -	\$ -
Adjustments to changes in net assets:		
Depreciation	29,199	28,409
Realized loss on disposal of fixed assets	714	-
Changes in operating assets and liabilities:		
Other assets	(323)	962
Contributions receivable	47,104	(132,353)
Accounts payable	631	(2,887)
Due to AAA Club Alliance, Inc.	702,199	(125,509)
Accrued payroll and related taxes	(1,978)	(18,475)
Cash provided by (used in) operating activities	<u>777,546</u>	<u>(249,853)</u>
Investing activities		
Equipment and automobiles acquired	<u>(21,500)</u>	<u>(23,733)</u>
Cash used in investing activities	<u>(21,500)</u>	<u>(23,733)</u>
Increase (decrease) in cash and cash equivalents	756,046	(273,586)
Cash and cash equivalents at beginning of year	105,374	378,960
Cash and cash equivalents at end of year	<u>\$ 861,420</u>	<u>\$ 105,374</u>

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

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements

December 31, 2016 and 2015

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

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

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 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.

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, 2016 and 2015.

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

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

maintained its exempt status. Additionally, management has concluded that there are no uncertain tax positions as of December 31, 2016.

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.

Pension Plan

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 \$18,204 and \$18,193 in 2016 and 2015, 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 Mid-Atlantic 401(k) and Defined Contribution Retirement Plan. The Foundation's expense for the defined contribution plan amounted to \$40,015 and \$34,468 in 2016 and 2015, respectively. Defined contribution plan expense is included in the statements of activities and changes in net assets as pension and employee benefits.

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.

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

In August 2016, the FASB issued an ASU 2016-18, Statement of Cash Flows: Restricted Cash to address the classification of certain cash receipts and cash payments in the Statement of Cash Flows. The guidance is effective for the Company in 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In February 2016, the FASB issued an ASU guidance outlining a single comprehensive five step model for entities to use in accounting for revenue arising from contracts with customers (ASC 606 Revenue from Contracts with Customers). The new guidance supersedes most current revenue recognition guidance, in an effort to converge the revenue recognition principles within U.S. GAAP. This new guidance also requires entities to disclose certain quantitative and qualitative information regarding the nature, amount, timing and uncertainty of qualifying revenue and cash flows arising from contracts with customers. Entities have the option of using a full retrospective or a modified retrospective approach to adopt the new guidance. This guidance is effective for the Company in fiscal 2019. The Company is currently evaluating the impact of the pronouncement.

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 \$163,523 and \$210,627 for the years ended December 31, 2016 and 2015, 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 \$204,242 and \$294,761 for the years ended December 31, 2016 and 2015, 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.

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

4. Restricted Net Assets

Foundation restricted net assets are available for the following purposes:

	December 31	
	2016	2015
Program operating activities:		
Tribute Funds – Harvest Ball	\$ 9,293	\$ 11,574
General Fund	1,500	-
Safety from the Start program	5,300	400
iDrive on the Go	4,750	-
Otto the Auto program	1,391	7,603
BikeSafe	1,000	-
Total temporarily restricted net assets	<u>\$ 23,234</u>	<u>\$ 19,577</u>

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

	December 31	
	2016	2015
Purpose restrictions accomplished:		
Tribute Funds – Harvest Ball	\$ 2,281	\$ 944
Safety from the Start Program	-	1,950
iDrive on the Go	18,325	-
Otto the Auto program	7,194	12,368
BikeSafe	-	1,500
Total restrictions released	<u>\$ 27,800</u>	<u>\$ 16,762</u>

Mid-Atlantic Foundation for Safety and Education

Notes to Financial Statements (continued)

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, 2016 and 2015 are as follows:

	December 31	
	2016	2015
Programs:		
Program service expense	\$ 1,089,232	\$ 1,206,976
Total programs	1,089,232	1,206,976
Fundraising expense	37,074	40,803
Management and general expense	217,582	321,666
Total functional expenses	\$ 1,343,888	\$ 1,569,445

6. Subsequent Events

Subsequent events through October 19, 2017, the date the financial statements were available to be issued, have been evaluated for disclosure and recognition.