



FINANCIAL STATEMENTS

Mid-Atlantic Foundation for Safety and Education  
Year Ended December 31, 2015 and 2014  
With Report of Independent Auditors

Mid-Atlantic Foundation for Safety and Education

Financial Statements

Years Ended December 31, 2015 and 2014

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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, 2015 and 2016 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, 2015 and 2016 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' in a cursive script.

Falls Church, Virginia  
July 1, 2016

Mid-Atlantic Foundation for Safety and Education

Statements of Financial Position

	December 31	
	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 85,797	\$ 363,942
Cash restricted for temporary programs	19,577	15,018
Contributions receivable from AAA Mid-Atlantic	210,627	78,274
Other assets	15,980	16,942
Total current assets	<u>331,981</u>	<u>474,176</u>
Property and equipment:		
Equipment and automobiles	206,934	183,201
Less allowance for depreciation	(126,305)	(97,896)
Property and equipment, net	<u>80,629</u>	<u>85,305</u>
Total assets	<u>\$ 412,610</u>	<u>\$ 559,481</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 31,357	\$ 34,244
Due to AAA Mid-Atlantic, Inc.	156,940	282,449
Accrued payroll and related taxes	40,040	58,515
Total current liabilities	<u>228,337</u>	<u>375,208</u>
Net assets:		
Unrestricted	164,696	169,255
Temporarily restricted	19,577	15,018
Total net assets	<u>184,273</u>	<u>184,273</u>
Total liabilities and net assets	<u>\$ 412,610</u>	<u>\$ 559,481</u>

See accompanying notes.

Mid-Atlantic Foundation for Safety and Education

Statements of Activities and Changes in Net Assets

	Year Ended December 31	
	2015	2014
<b>Changes in unrestricted assets</b>		
<b>Revenues</b>		
Contributions	\$ 831,423	\$ 840,658
Contributions AAA Mid-Atlantic, Inc.	505,388	371,167
Fund raising revenue	209,263	227,834
Interest income	2,051	1,899
	<u>1,548,125</u>	<u>1,441,558</u>
Net assets released from restriction	16,762	1,422
Total unrestricted revenues	<u>1,564,886</u>	<u>1,442,980</u>
<b>Expenses</b>		
Salaries, wages and payroll taxes	773,558	734,475
Pension and employee benefits	135,822	121,194
Occupancy	159,365	159,365
Insurance	16,267	20,352
Printing	5,467	10,292
Public relations	112,980	102,075
Depreciation	28,409	20,655
Auto operating	27,839	23,380
Travel and entertainment	43,427	26,377
Auditing	15,500	15,493
Consulting and other professional services	103,734	129,543
Dinner dance expense	17,572	22,020
Golf outing expense	32,489	42,481
Other expenses	97,016	21,676
Total unrestricted expenses	<u>1,569,445</u>	<u>1,449,378</u>
Decrease in unrestricted assets	<u>(4,559)</u>	<u>(6,398)</u>
<b>Changes in temporarily restricted assets</b>		
Contributions	21,321	7,820
Net assets released from restriction	(16,762)	(1,422)
Increase in temporarily restricted assets	<u>4,559</u>	<u>6,398</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

	<b>Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating activities</b>		
Adjustments to changes in net assets:		
Depreciation	\$ 28,409	\$ 20,655
Changes in operating assets and liabilities:		
Other assets	962	512
Contributions receivable	(132,353)	159,940
Accounts payable	(2,887)	2,179
	-	-
Due to AAA Mid-Atlantic, Inc.	(125,509)	82,055
Accrued payroll and related taxes	(18,475)	(1,633)
Cash (used in) provided by operating activities	<u>(249,853)</u>	<u>263,708</u>
<b>Investing activities</b>		
Equipment and automobiles acquired	(23,733)	(45,569)
Cash used in investing activities	<u>(23,733)</u>	<u>(45,569)</u>
(Decrease) Increase in cash and cash equivalents	(273,586)	218,139
Cash and cash equivalents at beginning of year	378,960	160,821
Cash and cash equivalents at end of year	<u>\$ 105,374</u>	<u>\$ 378,960</u>

*See accompanying notes.*

# Mid-Atlantic Foundation for Safety and Education

## Notes to Financial Statements

December 31, 2015 and 2014

### **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 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 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.

## 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 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 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, 2015 and 2014.



## 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, 2015.

##### **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 \$18,193 and \$26,233 in 2015 and 2014, 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 \$34,468 and \$18,411 in 2015 and 2014, respectively. Defined contribution plan expense is included in the statements of activities and changes in net assets as pension and employee benefits.

## 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 \$210,627 and \$78,274 for the years ended December 31, 2015 and 2014, 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 \$294,761 and \$292,893 for the years ended December 31, 2015 and 2014, respectively, which are reflected as a component of “Contribution AAA Mid-Atlantic 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.

#### 3. Restricted Net Assets

Foundation restricted net assets are available for the following purposes:

	December 31	
	2015	2014
<b>Program operating activities:</b>		
School Safety Patrol program	\$ -	\$ 1,500
Tribute Funds – Harvest Ball	11,574	12,518
Safety from the Start program	400	400
Otto the Auto program	7,603	100
BikeSafe	-	500
Total temporarily restricted net assets	<u>\$ 19,577</u>	<u>\$ 15,018</u>

## Mid-Atlantic Foundation for Safety and Education

### Notes to Financial Statements (continued)

#### 3. Restricted Net Assets (continued)

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

	December 31	
	2015	2014
<b>Purpose restrictions accomplished:</b>		
School Safety Patrol Program	\$ 1,950	\$ -
Tribute Funds – Harvest Ball	944	-
Safety from the Start Program	-	1,422
Otto the Auto program	12,368	-
BikeSafe	1,500	-
Total restrictions released	\$ 16,762	\$ 1,422

#### 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, 2015 and 2014 are as follows:

	December 31	
	2015	2014
<b>Programs:</b>		
Program service expense	\$ 1,206,976	\$ 1,125,111
Total programs	1,206,976	1,125,111
Fundraising expense	40,803	47,412
Management and general expense	321,666	276,855
Total functional expenses	\$ 1,569,445	\$ 1,449,378

## Mid-Atlantic Foundation for Safety and Education

### Notes to Financial Statements (continued)

#### **5. Subsequent Events**

On January 1, 2016, AAA Mid-Atlantic company executed a merger agreement with AAA Allied Group (Allied), a fully accredited member of AAA National. Allied operates primarily in the travel industries by providing automobile, travel, and insurance services primarily in the states of Ohio, West Virginia, Kentucky, Connecticut, and Kansas. The combined company will adopt the name AAA Club Alliance (ACA). Subsequent events through July 1, 2016, the date the financial statements were available to be issued, have been evaluated for disclosure and recognition.