



FINANCIAL STATEMENTS

**Mid-Atlantic Foundation for Safety and Education
As of December 31, 2018 and 2017
For the Years Ended December 31, 2018 and 2017**

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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, 2018 and 2017, 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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed on Note 4 to the financial statements, the Company has entered into significant transactions with AAA Club Alliance Inc., a related party. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
June 7, 2019

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

	December 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,223	\$ 48,181
Cash restricted for temporary programs	37,459	32,029
Contributions receivable from AAA Club Alliance Inc.	99,695	195,908
Accounts receivable	17,854	26,789
Other current assets	-	11,607
Total current assets	175,231	314,514
Property and equipment, net:		
Equipment and automobiles	267,344	202,368
Less accumulated depreciation	(185,425)	(157,845)
Property and equipment, net	81,919	44,523
Total assets	\$ 257,150	\$ 359,037
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 19,618	\$ 818
Due to AAA Club Alliance Inc.	22,295	139,351
Accrued payroll and related taxes	30,964	34,595
Total current liabilities	72,877	174,764
Net assets:		
Without Donor Restrictions	146,814	152,244
With Donor Restrictions	37,459	32,029
Total net assets	184,273	184,273
Total liabilities and net assets	\$ 257,150	\$ 359,037

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,	
	2018	2017
Changes in net assets without donor restrictions		
Revenues		
Contributions	\$ 750,595	\$ 755,649
Contributions AAA Club Alliance Inc.	300,432	404,196
Fund raising revenue	160,397	182,889
Interest income	3,804	1,631
	1,215,228	1,344,365
Net assets released from restrictions	5,118	1,305
	1,220,346	1,345,670
Expenses		
Salaries, wages and payroll taxes	778,030	741,638
Pension and employee benefits	94,644	213,068
Occupancy	77,768	74,523
Insurance	17,680	15,589
Public relations	20,106	23,498
Depreciation	27,580	26,156
Auto operating	25,342	18,867
Travel and entertainment	10,420	18,977
Auditing	16,000	16,000
Consulting and other professional services	90,638	105,634
Dinner dance expense	8,045	12,715
Golf outing expense	35,092	38,694
Other expenses	24,431	49,106
	1,225,776	1,354,465
Decrease in net assets without donor restrictions	(5,430)	(8,795)
Changes in net assets with donor restrictions:		
Contributions	10,548	10,100
Net assets released from restrictions	(5,118)	(1,305)
	5,430	8,795
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,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ -	\$ -
Adjustments to changes in net assets:		
Depreciation	27,580	26,156
Changes in operating assets and liabilities:		
Other assets	11,607	(805)
Contributions receivable	96,213	(32,385)
Accounts receivable	8,934	(21,289)
Accounts payable	18,801	(29,632)
Due to AAA Club Alliance Inc.	(139,857)	(719,788)
Accrued payroll and related taxes	(3,631)	(3,467)
Cash provided by (used in) operating activities	19,647	(781,210)
Cash flows from investing activities:		
Property and equipment acquired	(42,175)	-
Cash used in investing activities	(42,175)	-
Decrease in cash and cash equivalents	(22,528)	(781,210)
Cash, cash equivalents, and restricted cash at beginning of year	80,210	861,420
Cash, cash equivalents, and restricted cash at end of year	\$ 57,682	\$ 80,210
 Supplemental Disclosure		
Capital expenditures in payables	\$ 22,801	\$ -

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

Mid-Atlantic Foundation for Safety and Education
Notes to Financial Statements
December 31, 2018 and 2017

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:

Net assets without donor restrictions – represents resources which have met all applicable restrictions and/or resources generated by other sources.

Net assets with donor restrictions – 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets 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. (the “Company” or “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.

Mid-Atlantic Foundation for Safety and Education
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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. These contributions include In-Kind services such as personnel and occupancy. See Note 4 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 Flows:

	December 31,	
	2018	2017
Cash and cash equivalents	\$ 20,223	\$ 48,181
Cash restricted for temporary programs	37,459	32,029
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 57,682	\$ 80,210

Receivables

Receivables are stated at outstanding balances. As the Foundation considers receivables to be fully collectible, no allowance for doubtful accounts has been established as of December 31, 2018 and 2017. Receivables deemed uncollectible are charged off to Other expenses in the Statements of Activities and Changes in Net Assets. Recoveries of previous uncollectible amounts are recorded to Other expense in the Statements of Activities and Changes in Net Assets.

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 2018 and 2017.

Functional Allocation of 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, certain expenses, notably salaries and overhead, are allocated proportionately to programs and supporting services based on estimated personnel efforts. Other expenses, notably fundraising and general expenses are not allocated to a specific program for reporting purposes.

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, 2018.

Property and Equipment and Depreciation

Property and equipment consisting of computer equipment, vehicles, and a custom-built auto safety demonstration vehicle is stated at cost less allowances for depreciation. Depreciation is provided by the straight-line method over a three to five year useful life. Upon sale or retirement, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the Statements of Activities and Changes in Net Assets.

Employee Benefit Plans

Eligible employees of the Foundation are covered under the AAA Mid-Atlantic Defined Benefit Pension Plan. ACA is the plan sponsor of the plan. In accordance with ASC 715, the Foundation records pension expense based on the required contribution to the plan. Accordingly, the Foundation has been charged \$2,951 and \$26,902 in 2018 and 2017, 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 a component of Pension and employee benefits.

Eligible Foundation employees are also covered under the AAA Club Alliance Inc. 401(k) Retirement Savings Plan. On January 1, 2017, ACA 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 \$49,091 and \$43,305 in 2018 and 2017, respectively. Defined contribution plan expense is included in the Statements of Activities and Changes in Net Assets as a component of Pension and employee benefits.

Reclassifications

Certain amounts reported in the prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, "Presentation of Financial Statements for Not-for-Profit Entities." ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The Foundation has adopted the

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ASU as of and for the year ended December 31, 2018 and has retroactively applied its provisions to all periods presented. The adoption of ASU 2016-14 required reclassification of net asset classes and additional disclosures related to liquidity and availability of resources.

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update ASU 2018-08, ‘Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made’ to clarify the accounting guidance related to contributions made or received. The standard is effective for fiscal years beginning after December 15, 2019. The Foundation is currently assessing the impact this standard will have on its financial statements.

3. Liquidity

The Foundation has \$137,772 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$20,223, contributions receivable of \$99,695, and accounts receivable of \$17,854. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. 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 \$99,695 and \$195,908 for the years ended December 31 2018 and 2017, 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 \$200,737 and \$208,288 for the years ended December 31, 2018 and 2017, respectively, which are reflected as a component of Contribution AAA Club Alliance Inc. in the Statements of Activities and Changes in Net Assets. 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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5. Net Assets with Donor Restrictions

Foundation net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2018	2017
Program operating activities:		
Tribute Funds – Harvest Ball	\$ 9,293	\$ 9,293
General Fund	7,848	2,500
Safety from the Start Program	1,546	5,164
iDrive on the Go	8,681	8,681
Otto the Auto Program	1,591	1,391
Bike Safe	1,000	1,000
Bill and Virginia Miller Scholarship Fund	7,500	4,000
Total net assets with donor restrictions	<u>\$ 37,459</u>	<u>\$ 32,029</u>

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

	Years Ended December 31,	
	2018	2017
Purpose restrictions accomplished:		
Safety from the Start Program	\$ 3,618	\$ 136
iDrive on the Go	-	169
Bill and Virginia Miller Scholarship Fund	1,500	1,000
Total restrictions released	<u>\$ 5,118</u>	<u>\$ 1,305</u>

6. Functional Expenses

Total functional expenses for the years ended December 31, 2018 and 2017 are as follows:

	For the year ended December 31, 2018								
	Program Activities					Supporting Activities			Total Expenses
	Youth Programs	Teen Programs	Adult Programs	Senior Programs	Programs Subtotal	Fundraising	Management and General	Supporting Subtotal	
Personnel Expense	\$ 586,582	\$ 115,644	\$ 105,427	\$ 65,021	\$ 872,674	\$ -	\$ -	\$ -	\$ 872,674
Office Expense	11,976	2,361	2,153	1,328	17,818	-	8,299	8,299	26,117
Occupancy	52,273	10,306	9,395	5,794	77,768	-	-	-	77,768
Travel and Entertainment	-	-	-	-	-	-	35,762	35,762	35,762
Campaign Expense	-	-	-	-	-	48,743	-	48,743	48,743
Depreciation	-	-	-	-	-	-	27,580	27,580	27,580
Other	16,955	3,343	3,047	1,879	25,224	-	24,415	24,415	49,639
In Kind Donations	-	-	-	-	-	-	87,493	87,493	87,493
Total functional expenses	<u>\$ 667,786</u>	<u>\$ 131,654</u>	<u>\$ 120,022</u>	<u>\$ 74,022</u>	<u>\$ 993,484</u>	<u>\$ 48,743</u>	<u>\$ 183,549</u>	<u>\$ 232,292</u>	<u>\$ 1,225,776</u>

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For the year ended December 31, 2017

	Program Activities					Supporting Activities			Total Expenses
	Youth Programs	Teen Programs	Adult Programs	Senior Programs	Programs Subtotal	Fundraising	Management and General	Supporting Subtotal	
Personnel Expense	\$ 604,603	\$ 175,381	\$ 97,580	\$ 77,141	\$ 954,705	\$ -	\$ -	\$ -	\$ 954,705
Office Expense	16,656	4,831	2,688	2,125	26,300	-	10,466	10,466	36,766
Occupancy	47,195	13,690	7,617	6,022	74,524	-	-	-	74,524
Travel and Entertainment	-	-	-	-	-	-	37,844	37,844	37,844
Campaign Expense	-	-	-	-	-	72,748	-	72,748	72,748
Depreciation	-	-	-	-	-	-	26,156	26,156	26,156
Other	14,967	4,342	2,416	1,910	23,635	-	24,476	24,476	48,111
In Kind Donations	-	-	-	-	-	-	103,611	103,611	103,611
Total functional expenses	<u>\$ 683,421</u>	<u>\$ 198,244</u>	<u>\$ 110,301</u>	<u>\$ 87,198</u>	<u>\$ 1,079,164</u>	<u>\$ 72,748</u>	<u>\$ 202,553</u>	<u>\$ 275,301</u>	<u>\$ 1,354,465</u>

7. Subsequent Events

Subsequent events through June 7, 2019, the date the financial statements were available to be issued, have been evaluated for disclosure and recognition.