

In Control Family Foundation, Inc.

Financial Statements

December 31, 2017

In Control Family Foundation, Inc.

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FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
In Control Family Foundation, Inc.
Lexington, Massachusetts

We have audited the accompanying financial statements of In Control Family Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 In Control Family Foundation, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Certified Public Accountants

Newburyport, Massachusetts
July 19, 2018

In Control Family Foundation, Inc.

Statement of Financial Position

December 31, 2017

ASSETS

Current Assets	
Cash	\$ 40,610
Accounts receivable	48,452
Prepaid expenses	<u>16,776</u>
Total Current Assets	<u>105,838</u>
Property and Equipment	
Leasehold improvements	9,871
Machinery and equipment	35,941
Website	9,093
Furniture and fixtures	<u>20,449</u>
	75,354
Less: Accumulated depreciation	<u>(60,279)</u>
Net Property and Equipment	<u>15,075</u>
Other Assets	
Deposits	4,978
Goodwill	<u>30,381</u>
Total Other Assets	<u>35,359</u>
Total Assets	<u>\$ 156,272</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued expenses	\$ 91,635
Deferred revenues	106,560
Gift certificates	<u>102,848</u>
Total Current Liabilities	<u>301,043</u>
Liabilities	
Due to board member	<u>25,000</u>
Total Liabilities	<u>326,043</u>
Net Assets	
Unrestricted	(179,771)
Temporarily restricted	<u>10,000</u>
Total Net Assets	<u>(169,771)</u>
Total Liabilities and Net Assets	<u>\$ 156,272</u>

See accompanying notes to financial statements and independent auditor's report.

In Control Family Foundation, Inc.

Statement of Activities

For the year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Grants and contributions	\$ 173,534	\$ 10,000	\$ 183,534
Program service fees	<u>515,633</u>	<u>-</u>	<u>515,633</u>
Total Revenue and Support	<u>689,167</u>	<u>10,000</u>	<u>699,167</u>
Expenses			
Program services	565,729	-	565,729
Management and general	84,900	-	84,900
Fundraising	<u>7,042</u>	<u>-</u>	<u>7,042</u>
Total Expenses	<u>657,671</u>	<u>-</u>	<u>657,671</u>
Change in net assets, before goodwill impairment loss	31,496	10,000	41,496
Goowill impairment loss	<u>(11,976)</u>	<u>-</u>	<u>(11,976)</u>
Change in Net Assets	19,520	10,000	29,520
Net Assets – Beginning of Year	<u>(199,291)</u>	<u>-</u>	<u>(199,291)</u>
Net Assets – End of Year	<u>\$ (179,771)</u>	<u>\$ 10,000</u>	<u>\$ (169,771)</u>

See accompanying notes to financial statements and independent auditor's report.

In Control Family Foundation, Inc.

Statement of Functional Expenses

For the year ended December 31, 2017

	Programs	Management and General	Fund- raising	Total
Payroll and related expenses	\$ 324,717	\$ 19,488	\$ 5,999	\$ 350,204
Occupancy	93,783	1,146	119	95,048
Automobile expense	50,234	773	515	51,522
Insurance	38,557	9,340	-	47,897
Professional fees	-	38,726	-	38,726
Advertising and promotion	2,489	9,667	-	12,156
Bank and credit fees	9,533	-	-	9,533
Commissions	5,000	-	-	5,000
Depreciation	2,900	252	-	3,152
Dues and subscriptions	-	163	-	163
Licenses and permits	250	-	-	250
Office expenses	14,405	2,898	263	17,566
Other	185	603	-	788
Outside services	2,365	680	46	3,091
Program expenses	4,648	-	-	4,648
Repairs and maintenance	4,261	-	-	4,261
Security	743	-	-	743
Supplies	4,907	-	-	4,907
Telephone	5,387	1,164	100	6,651
Travel	1,365	-	-	1,365
Total Expenses	<u>\$ 565,729</u>	<u>\$ 84,900</u>	<u>\$ 7,042</u>	<u>\$ 657,671</u>

See accompanying notes to financial statements and independent auditor's report.

In Control Family Foundation, Inc.
Statement of Cash Flows
For the year ended December 31, 2017

Operating Activities	
Change in net assets	\$ 29,520
Adjustments to reconcile change in net assets to cash used in operating activities:	
Depreciation	3,152
Goowill impairment loss	11,976
Recharacterization of loan from board member	(25,000)
Accounts receivable	(14,852)
Prepaid expenses	2,298
Accounts payable and accrued expenses	(21,241)
Deferred revenues	16,005
Gift certificates	<u>(10,493)</u>
Net Cash Used in Operating Activities	<u>(8,635)</u>
Net decrease in cash	(8,635)
Cash, beginning of year	<u>49,245</u>
Cash, end of year	<u>\$ 40,610</u>
Supplemental Data:	
Taxes paid	<u>\$ -</u>
Interest paid	<u>\$ -</u>

Non-cash Financing Activity:

During the year ended December 31, 2017, a board member forgave \$25,000 of a \$50,000 loan to the Organization. See Note F to the financial statements for more information.

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

In Control Family Foundation, Inc. (“The Organization”) is a non-profit organization that was organized on November 18, 2011. The Organization’s mission is to teach crash prevention driver training using hands-on training as well as classroom education. Its program is modeled after a driver training program for state police agencies and ambulance crews. The Organization is also licensed by the Commonwealth of Massachusetts to conduct “Driver Skills Development Programs,” which offer crash prevention training.

On April 30, 2012, the Organization acquired 100% of the limited liability company interest of In Control Advanced Driver Training MA LLC, from In Control Advanced Driver Training, Inc., a for-profit company, which provided crash prevention driver training. The Organization’s operations fully commenced on the date of acquisition. See Note C for further discussion of the acquisition.

Method of Accounting

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 (formerly SFAS No. 117, “*Financial Statements of Not-for-Profit Organizations*”). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as defined below.

Unrestricted Net Assets – consists of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – includes funds with donor-imposed restrictions, which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment incomes earned on permanently restricted funds.

Permanently Restricted Net Assets – includes resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permits the organization to expend part or all of the income derived from the donated assets. Investment incomes earned on permanently restricted funds are temporarily restricted until released.

Cash and equivalents

For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. From time to time, the Organization may maintain bank account balances in banks in excess of the federally insured limits.

Accounts Receivable

Accounts receivable consist of program service revenues billed but not yet collected. All accounts receivable are considered collectible by management.

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are carried at cost. Equipment is depreciated under the straight-line method using lives between 5 and 7 years. Land improvements are amortized over 20 years using the straight-line method.

Expenditures for maintenance and repairs are charged against operations as incurred. Renewals and betterments that materially extend the life of an asset are capitalized. Depreciation expense for the year ended December 31, 2017 was \$3,152.

Goodwill

The accounting for the acquisition of In Control Advanced Driver Training MA LLC in 2012 resulted in recognizing goodwill of \$241,988 (see Note C). Under generally accepted accounting principles, the carrying amount of goodwill is not amortized but is reduced if management determines that its implied fair value has been impaired. During the year ended December 31, 2017, management determined that the fair value has been impaired and recognized a loss of \$11,976. Total accumulated impairment of goodwill as of December 31, 2017 is \$211,607.

Deferred Revenue

Income from program service fees is deferred and recognized over the periods to which the fees relate. Deferred revenues at December 31, 2017 consisted of prepaid program service fees.

Gift Certificates

Income from the sale of gift certificates is deferred and recognized when they are redeemed and services are provided. At December 31, 2017, unused gift certificates outstanding totaled \$102,848.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. As of December 31, 2017, temporarily restricted net assets consisted of a \$10,000 contribution restricted for classes to be taught in 2018.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recognized if the services received create or enhance a non-financial asset or require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When significant, donated securities, materials, equipment and services are reflected as contributions in the accompanying statements at their estimated value at the date of receipt.

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

See Note D for a description of in-kind rent recognized for the year ended December 31, 2017.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases used in conjunction with the Organization's cost allocation plan.

Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Management and General – includes all activities related to the Organization's internal management and accounting for program services.

Fundraising – includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of public support.

Advertising

Advertising costs are expensed as incurred. For the year ended December 31, 2017, advertising costs of \$12,156 were charged to expense.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent Events

Subsequent events have been evaluated through July 19, 2018, which is the date the financial statements were available to be issued.

NOTE B – INCOME TAX STATUS

The Organization is organized and operated exclusively for charitable purposes. Income related to its charitable purpose is exempt from federal and state income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code.

The Organization has adopted the application of the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48, "Accounting For Uncertainty in Income Taxes"). The primary tax positions made by the Organization are the existence/non-existence of Unrelated Business Income Tax and the Organization's status as an exempt organization under section 501(c)(3) of the Internal Revenue Code. The Organization currently evaluates all tax positions, and makes determinations regarding the likelihood

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2017

NOTE B – INCOME TAX STATUS (continued)

of those positions being upheld under review. For the year presented, and as a result of adoption, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on its evaluations. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2017, 2016, 2015 and 2014 are subject to examination by the IRS, generally for 3 years after they are filed.

NOTE C – ACQUISITION OF IN CONTROL ADVANCED DRIVER TRAINING MA LLC

On April 30, 2012, the Organization acquired 100% of the limited liability company interest of In Control Advanced Driver Training MA LLC, from In Control Advanced Driver Training, Inc., a for-profit company, which provided crash prevention driver training. The interest was acquired for \$1 and the Organization's assumption of the LLC's net liabilities. The Organization had minimal activity until the date of acquisition, upon which actual operations began. The following table summarizes the amount of the assets acquired and liabilities assumed at the acquisition date:

Liabilities assumed	\$ 327,059
Less assets acquired:	
Cash	28,810
Accounts receivable	19,600
Prepaid expenses	20,992
Property and equipment	9,269
Deposits	<u>6,400</u>
Goodwill	<u>\$ 241,988</u>

Subsequent to the purchase, management determined that there has been an impairment of goodwill. See Note A for further details.

NOTE D – OPERATING LEASE

The Organization has entered into a lease agreement for office space. Monthly rent payments under the agreement were \$523 until January 31, 2018. During the year ended December 31, 2017, the Organization renewed the lease agreement to extend the term through January 31, 2020 with monthly rent payments in the amount of \$568. The Organization also leases program facilities on a month to month basis and site locations on a day-to-day basis. Total rent expense for office space and facilities for the year ended December 31, 2017 was \$92,394.

The Organization has entered into a license agreement to use a portion of an airfield for its driving programs. The monthly license fee is \$1,835 and the licensor may request that group classes be taught in lieu of payment. During 2017, the Organization provided five classes, but used the space without payment for the entire twelve months. Accordingly, rent expense of \$22,020 and in-kind revenue of \$9,175 have been recognized for the year ended December 31, 2017. Unpaid license fees for classes to be taught in the amount of \$29,360 are included in deferred revenue as of December 31, 2017. The license agreement expires in October 2018.

The Organization leases vehicles for use in its programs under operating lease agreements. In May 2015 and December 2017, the Organization entered into several operating lease agreements. Monthly lease

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2017

NOTE D – OPERATING LEASE (continued)

payments under the agreements range from \$284 to \$300 per vehicle and expiration dates range from April 18, 2018 to November 29, 2020.

Future minimum lease payments under all operating leases as of December 31, 2017 are:

2018	\$ 41,754
2019	21,176
2020	13,731
Thereafter	<u>-</u>
Total	<u>\$ 76,661</u>

NOTE E – GOING CONCERN

As indicated in the accompanying financial statements, the Organization has a deficit in unrestricted net assets in the amount of \$179,771 as of December 31, 2017. In addition, the Organization's current liabilities exceeded current assets by approximately \$195,000 as of December 31, 2017. Those factors have created an uncertainty about the Organization's ability to continue as a going concern. Management of the Organization has developed a plan to, among other things, reduce its liabilities by increasing revenue and decreasing operating expenses as follows:

The Organization's management and the Board of Directors are excited to see the fruits of our labor coming into 2018. Midway through 2018, we are 65% ahead of our 2018 budget, particularly amazing when you recognize the impact early 2018 winter weather had on our ability to train and drive demand.

A number of key initiatives have led to this outcome and will continue to drive us in the right direction:

These initiatives include:

1. An engaged Board of Directors – Our Board of Directors are meeting quarterly, but have also divided up into multiple committees focused on business development, grants, fundraising, finance oversight, operations, board development and operations. These groups are identifying projects and goals to help In Control Family Foundation succeed.
2. Group Training – In 2017 In Control Family Foundation adopted a new group training pricing approach aimed at attracting commercial drivers to train with us. Similarly, we have been promoting this desire to do more commercial training through our agent partners and graduates of our program. As a result, through April of this year, group training has increased by 300% compared to YTD last year.
3. Pricing Structure – In Control's Crash Prevention Training has not changed its \$350 price, but discounts have been adjusted so that only those truly promoting the program are given significant price reductions. We have also adjusted the additional family member rate to \$80 off when it was \$100 off last year and \$130 prior to that. This has received zero negative feedback, yet had a very positive impact on our revenues.
4. Fundraising / Grants: We have continued to pursue fundraising and grants regularly, but made a collective decision to seek out a volunteer and potentially hire someone to assist in these activities later this year. Additionally, we have identified grants that Massachusetts companies can apply for resulting in funding to train with us. We are aware of over 200 trainees' worth of grants applied for within the last month alone.

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2017

NOTE E – GOING CONCERN (continued)

5. Internships – In Control is currently pursuing interns to help with creative messages about safe driving (to be distributed to our graduates and insurance partners) as well as interns who can research grants on our behalf. These unpaid positions provide real world experience for college students while allowing us to increase exposure and identify more grants that we can pursue.

The Board of Directors has evaluated the conditions that have created an uncertainty about the Organization's ability to continue as a going concern. The board has determined that the continued success of the Organization's plans to mitigate the conditions, as evidenced by two consecutive years of positive net asset growth, and the year to date trends in 2018 alleviate the uncertainty.

NOTE F – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Organization received contributions in the amount of \$37,400 from board members. In May 2015, the Organization received a loan in the amount of \$50,000 from a board member. The loan is non-interest bearing and does not have specified repayment terms. During the year ended December 31, 2017, the board member forgave \$25,000 of the loan which was recorded as contribution in the accompanying financial statements. The loan balance as of December 31, 2017 was \$25,000. The board member has expressed his intention to forgive the remaining \$25,000 of the loan in 2018.