

In Control Family Foundation, Inc.

Financial Statements

December 31, 2018

In Control Family Foundation, Inc.

Contents

December 31, 2018

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10



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, 2018, 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, 2018, 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.

Emphasis of a Matter

As discussed in Note A to the financial statements, as of December 31, 2018, In Control Family Foundation, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* issued by the Financial Accounting Standards Board (FASB). The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, and direction for consistency about information provided about expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

Fritz Deguglielmo LLC

Certified Public Accountants
Newburyport, Massachusetts

June 4, 2019 8 Essex Street • Newburyport, Massachusetts 01950 • Tel: (978) 462-2161 • Fax: (978) 462-8005

www.fd-cpa.com

In Control Family Foundation, Inc.

Statement of Financial Position

December 31, 2018

ASSETS

Current Assets	
Cash	\$ 114,473
Accounts receivable	55,514
Prepaid expenses	<u>4,120</u>
Total Current Assets	<u>174,107</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>(63,135)</u>
Net Property and Equipment	<u>12,219</u>
Other Assets	
Deposits	4,978
Goodwill, net of accumulated impairment	<u>-</u>
Total Other Assets	<u>4,978</u>
Total Assets	<u>\$ 191,304</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued expenses	\$ 68,719
Deferred revenues	64,205
Gift certificates	<u>110,521</u>
Total Current Liabilities	<u>243,445</u>
Total Liabilities	<u>243,445</u>
Net Assets	
Without donor restrictions	(62,141)
With donor restrictions	<u>10,000</u>
Total Net Assets	<u>(52,141)</u>
Total Liabilities and Net Assets	<u>\$ 191,304</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Grants and contributions	\$ 58,830	\$ -	\$ 58,830
Program service fees	<u>766,559</u>	<u>-</u>	<u>766,559</u>
Total Revenue and Support	<u>825,389</u>	<u>-</u>	<u>825,389</u>
Expenses			
Program services	578,548	-	578,548
Management and general	90,524	-	90,524
Fundraising	<u>8,306</u>	<u>-</u>	<u>8,306</u>
Total Expenses	<u>677,378</u>	<u>-</u>	<u>677,378</u>
Change in net assets, before goodwill impairment loss	148,011	-	148,011
Goodwill impairment loss	<u>(30,381)</u>	<u>-</u>	<u>(30,381)</u>
Change in Net Assets	117,630	-	117,630
Net Assets – Beginning of Year	<u>(179,771)</u>	<u>10,000</u>	<u>(169,771)</u>
Net Assets – End of Year	<u>\$ (62,141)</u>	<u>\$ 10,000</u>	<u>\$ (52,141)</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, 2018

	Programs	Management and General	Fund- raising	Total
Payroll and related expenses	\$ 330,792	\$ 18,756	\$ 5,731	\$ 355,279
Occupancy	81,390	14,049	1,453	96,892
Automobile expense	47,563	732	488	48,783
Insurance	36,145	8,756	-	44,901
Professional fees	-	38,833	-	38,833
Advertising and promotion	8,593	2,471	168	11,232
Bank and credit fees	14,078	-	-	14,078
Commissions	17,015	-	-	17,015
Depreciation	2,628	228	-	2,856
Dues and subscriptions	-	222	-	222
Office expenses	13,786	2,774	252	16,812
Other	299	891	-	1,190
Outside services	5,405	1,554	106	7,065
Program expenses	4,792	-	-	4,792
Repairs and maintenance	3,454	-	-	3,454
Security	743	-	-	743
Supplies	5,463	-	-	5,463
Telephone	5,821	1,258	108	7,187
Travel	581	-	-	581
Total Expenses	<u>\$ 578,548</u>	<u>\$ 90,524</u>	<u>\$ 8,306</u>	<u>\$ 677,378</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, 2018

Operating Activities	
Change in net assets	\$ 117,630
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	2,856
Goowill impairment loss	30,381
Recharacterization of loan from board member	(25,000)
Accounts receivable	(7,062)
Prepaid expenses	12,656
Accounts payable and accrued expenses	(22,916)
Deferred revenues	(42,355)
Gift certificates	<u>7,673</u>
Net Cash Provided by Operating Activities	<u>73,863</u>
Net increase in cash	73,863
Cash, beginning of year	<u>40,610</u>
Cash, end of year	<u>\$ 114,473</u>
Supplemental Data:	
Taxes paid	<u>\$ -</u>
Interest paid	<u>\$ -</u>

Non-cash Financing Activity:

During the year ended December 31, 2018, 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, 2018

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 maintains its accounts and prepares its financial statements on the accrual basis of accounting. During 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* issued by the Financial Accounting Standards Board (FASB). The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return. The Organization has adjusted the presentation in these financial statements accordingly. The application of the update caused no significant restatements or reclassifications in net assets presented.

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.

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, 2018 was \$2,856.

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018, management determined that the fair value has been impaired and recognized a loss of \$30,381. As of December 31, 2018, the value of goodwill was fully impaired.

Deferred Revenue

Income from program service fees is deferred and recognized over the periods to which the fees relate. Deferred revenues at December 31, 2018 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, 2018, unused gift certificates outstanding totaled \$110,521.

Contributions

The Organization reports gifts of cash and other assets as support with restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of December 31, 2018, net assets with donor restrictions consisted of a \$10,000 contribution restricted for classes to be taught in Middleborough, Massachusetts.

The Organization reports gifts of land, buildings, and equipment as support without restrictions 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 support with restrictions. 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.

See Note D for a description of in-kind rent recognized for the year ended December 31, 2018.

Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as occupancy, which is allocated on a square footage basis.

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Expenses (continued)

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, 2018, advertising costs of \$11,232 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 June 4, 2019, 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 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, 2018, 2017, 2016 and 2015 are subject to examination by the IRS, generally for 3 years after they are filed.

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2018

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 are \$568 until January 31, 2020. 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, 2018 was \$94,488.

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 2018, the Organization provided ten classes, but used the space without payment for the entire twelve months. Accordingly, rent expense of \$22,020 and in-kind revenue of \$18,350 have been recognized for the year ended December 31, 2018. Unpaid license fees for classes to be taught in the amount of \$33,030 are included in deferred revenue as of December 31, 2018. The license agreement was automatically renewed for an additional one-year term in October 2018.

The Organization leases vehicles for use in its programs under operating lease agreements. In December 2017 and February 2018, the Organization entered into several operating lease agreements. Monthly lease payments under the agreements range from \$298 to \$319 per vehicle and expiration dates range from November 19, 2020 to January 22, 2021.

Future minimum lease payments under all operating leases as of December 31, 2018 are:

2019	\$ 47,179
2020	21,384
2021	638
Thereafter	<u>-</u>
Total	<u>\$ 69,201</u>

In Control Family Foundation, Inc.

Notes to Financial Statements

December 31, 2018

NOTE E – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. As of December 31, 2018, all donor-restricted amounts are available for use within one year for their restricted purpose.

Financial assets at year-end:	\$169,987
Less those unavailable for general expenditures within one year:	_____ -
Financial assets available to meet cash needs for general expenditure within one year:	<u>\$169,987</u>

As of December 31, 2018, the Organization had no borrowing commitments.

NOTE F – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, the Organization received contributions in the amount of \$26,500 from board members. In May 2015, the Organization received a loan in the amount of \$50,000 from a board member. The loan was non-interest bearing and did not have specified repayment terms. During the year ended December 31, 2018, the board member forgave the remaining \$25,000 of the loan which was recorded as contribution in the accompanying financial statements.