

In Control Family Foundation, Inc. and Subsidiary

Consolidated Financial Statements

December 31, 2019

In Control Family Foundation, Inc. and Subsidiary

Contents

December 31, 2019

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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. and Subsidiary
Lexington, Massachusetts

We have audited the accompanying consolidated financial statements of In Control Family Foundation, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of In Control Family Foundation, Inc. and Subsidiary as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited In Control Family Foundation, Inc. and Subsidiary's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived

Fritz Deguglielmo LLC
Certified Public Accountants
Newburyport, Massachusetts
September 29, 2020

In Control Family Foundation, Inc. and Subsidiary
Consolidated Statement of Financial Position
December 31, 2019
(with summarized financial information as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 155,268	\$ 114,473
Accounts receivable	35,041	55,514
Prepaid expenses	4,935	4,120
Total Current Assets	195,244	174,107
Property and Equipment		
Machinery and equipment	22,507	35,941
Website	9,093	9,093
Furniture and fixtures	1,500	20,449
Leasehold improvements	-	9,871
	33,100	75,354
Less: Accumulated depreciation	(21,693)	(63,135)
Net Property and Equipment	11,407	12,219
Other Assets		
Deposits	978	4,978
Goodwill, net of accumulated impairment	-	-
Total Other Assets	978	4,978
Total Assets	\$ 207,629	\$ 191,304
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 56,673	\$ 68,719
Deferred revenues	22,199	64,205
Gift certificates	93,826	110,521
Total Current Liabilities	172,698	243,445
Total Liabilities	172,698	243,445
Net Assets		
Without donor restrictions	24,931	(62,141)
With donor restrictions	10,000	10,000
Total Net Assets	34,931	(52,141)
Total Liabilities and Net Assets	\$ 207,629	\$ 191,304

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

In Control Family Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
For the year ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	2019		Total 2018
	Without Donor Restrictions	With Donor Restrictions	
Revenue and Support			
Program service fees	\$ 693,434	\$ -	\$ 693,434
In-kind donation	47,710	-	47,710
Grants and contributions	23,374	-	23,374
Total Revenue and Support	764,518	-	764,518
Expenses			
Program services	574,348	-	574,348
Management and general	94,025	-	94,025
Fundraising	9,073	-	9,073
Total Expenses	677,446	-	677,446
Change in net assets, before goodwill impairment loss	87,072	-	87,072
Goodwill impairment loss	-	-	-
Change in Net Assets	87,072	-	87,072
Net Assets – Beginning of Year	(62,141)	10,000	(52,141)
Net Assets – End of Year	\$ 24,931	\$ 10,000	\$ 34,931

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

In Control Family Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the year ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	Programs	Management and General	Fund- raising	Total 2019	Total 2018
Payroll and related expenses	\$ 322,236	\$ 21,692	\$ 6,663	\$ 350,591	\$ 355,279
Occupancy	78,779	13,599	1,407	93,785	96,892
Automobile expense	45,615	702	468	46,785	48,783
Insurance	35,328	8,558	-	43,886	44,901
Professional fees	-	40,873	-	40,873	38,833
Commissions	28,904	-	-	28,904	17,015
Office expenses	12,840	2,583	235	15,658	16,812
Bank and credit fees	13,930	-	-	13,930	14,078
Advertising and promotion	6,521	1,875	128	8,524	11,232
Program expenses	6,681	-	-	6,681	4,792
Telephone	5,400	1,167	100	6,667	7,187
Outside services	3,653	1,050	72	4,775	7,065
Supplies	4,700	-	-	4,700	5,463
Repairs and maintenance	4,316	-	-	4,316	3,454
Depreciation	2,367	206	-	2,573	2,856
Travel	2,321	-	-	2,321	581
Other	447	1,454	-	1,901	1,190
Security	310	-	-	310	743
Dues and subscriptions	-	266	-	266	222
Total Expenses	\$ 574,348	\$ 94,025	\$ 9,073	\$ 677,446	\$ 677,378

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

In Control Family Foundation, Inc. and Subsidiary
Consolidated Statement of Cash Flows
For the year ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 87,072	\$ 117,630
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	2,573	2,856
In-kind donation	(47,710)	-
Goodwill impairment loss	-	30,381
Recharacterization of loan from board member	-	(25,000)
Accounts receivable	20,473	(7,062)
Prepaid expenses	(815)	12,656
Deposits	4,000	-
Accounts payable and accrued expenses	(12,046)	(22,916)
Deferred revenues	5,704	(42,355)
Gift certificates	(16,695)	7,673
	42,556	73,863
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,761)	-
	(1,761)	-
Net Cash Used in Investing Activities		
Net increase in cash	40,795	73,863
Cash, beginning of year	114,473	40,610
Cash, end of year	\$ 155,268	\$ 114,473
Supplemental Data:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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

In Control Family Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2019

NOTE A – BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

In Control Family Foundation, Inc. (“the Organization”), formed on November 18, 2011, is a non-profit 501 (c)(3) tax-exempt corporation. 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. As of and during the year ended December 31, 2019, the Subsidiary had no activity or balances to report.

Basis of Accounting

The Organization’s policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under that method, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

Net Assets

The Organization classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor-imposed restrictions. Consequently, net assets and changes therein are classified and reported as follows:

- Net Assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor or certain grantor restrictions. Additionally, gains and investment income are treated as unrestricted revenue unless specifically restricted by the donor or by law.
- Net assets with donor restrictions represent the portion of net assets subject to donor or certain grantor-imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released and are reclassified to net assets without donor restrictions when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources were restricted has been fulfilled, or both.

Revenue and Revenue Recognition

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, 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. Net assets with donor restrictions that are released from restriction in the same year received are recorded as net assets without donor restrictions.

In Control Family Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2019

NOTE A – BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

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

Program service revenue is comprised of funding from clients and insurance payments for crash prevention driver training classes. The revenue is recognized when the client participates in a crash prevention driver training class.

Functional Allocation of Expenses

The Organization allocates expenses on a functional basis amongst its programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. Expenses common to several functions are allocated in accordance with the Organization's indirect cost allocation plan. Supporting services are those costs related to operating and managing the Organization's 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 and the overall support and direction of its programs.

Fundraising – includes all activities related to maintaining contributor information, donor relations and recognition events, writing grant proposals, distributions of materials, and other similar projects related to the procurement of funds for the Organization's programs. Fundraising expenses also include the direct and indirect costs of special fundraising events.

Allocation of functional expenses is based on management's discretion, time studies and estimates. Compensation and benefits are allocated on the basis of estimates of time and effort. Occupancy costs are allocated on a square footage basis. These variables may change from year to year.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

In Control Family Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2019

NOTE A – BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management's Review

In preparing these financial statements, the Organization's management has evaluated events and transactions for potential recognition of disclosure through September 29, 2020, the date the financial statements were available to be issued.

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.

Effective October 31, 2019, the Organization's North Andover lease was terminated by the lessor. All property and equipment associated with that site, valued at \$39,204, were fully depreciated and written-off in 2019.

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, 2019 was \$2,573.

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. As of December 31, 2019, 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, 2019 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, 2019, unused gift certificates outstanding totaled \$93,826.

In Control Family Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2019

NOTE A – BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019, net assets with donor restrictions consisted of a \$10,000 contribution restricted for classes to be taught in primarily in Middleborough, Massachusetts and secondarily in surrounding Massachusetts communities.

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.

In-kind Donations

In-kind donations are recorded as unrestricted support unless explicit donor stipulations specify how the donations 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.

See Note D for a description of in-kind rent recognized for the year ended December 31, 2019.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. For the year ended December 31, 2019, advertising costs of \$8,524 was charged to expense.

In Control Family Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2019

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the Statement of Financial Position date, comprise the following:

Cash	\$155,268
Accounts receivable	<u>35,041</u>
	<u>\$190,309</u>

As of December 31, 2019, the Organization did not have any borrowing commitments.

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.

Effective December 31, 2019, the Organization has administratively dissolved In Control Advanced Driver Training MA LLC with the Commonwealth of Massachusetts.

NOTE D – OPERATING LEASE

The Organization has renewed its lease agreement for office space beginning February 1, 2020 through January 31, 2021. Monthly rent payments under the existing agreement are \$568 until January 31, 2020. The monthly payments on the lease renewal will be \$745 monthly. The North Andover site lease agreement was terminated by the lessor on October 31, 2019. 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, 2019 was \$83,372.

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.

In Control Family Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2019

NOTE D – OPERATING LEASE (continued)

The license agreement was not renewed at end of its term in 2019. However, the license agreement was modified and extended by four amendments expiring on January 6, 2021. The first and second amended agreements went into effect beginning November 12, 2019, and January 3, 2020 and required payments of \$5,000 each. The third amendment became effective February 6, 2020 through August 6, 2020 and requires a monthly license payment of \$2,500. A fourth amendment was executed on June 18, 2020 extending the license period until January 6, 2021 at a monthly rental of \$2,500. Prior to the amendments, the Organization did not provide any classes in 2019 to the licensor nor make any monthly rental payments of \$1,835 for the eight months ended August 31, 2020. The 2019 cumulative unpaid license fee for classes to be taught totaled \$47,710 of which \$19,680 represented in-kind rent for 2019. Once the amended license agreements were executed, the unpaid license fee of \$47,710 was recognized as In-Kind Donation.

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, 2019 are:

2020	\$ 49,579
2021	1,383
Thereafter	-
Total	<u>\$ 50,962</u>

NOTE E – RELATED PARTY TRANSACTIONS

In 2019, the Organization purchased snow removal equipment totaling \$1,252 from a family member of the Organization's executive director.

NOTE F – 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, 2019, 2018, 2017 and 2016 are subject to examination by the IRS, generally for 3 years after they are filed.

In Control Family Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2019

NOTE G – CONCENTRATIONS

From time to time, the Organization may occasionally maintain bank account balances in banks in excess of the federally insured limits. However, the banks have additional insurance provided by the Depositors Insurance Fund in the event of a loss in excess of the FDIC insured limit of \$250,000.

NOTE H – SUBSEQUENT EVENT

Beginning in March 2020, the COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considered uncertainty around the duration and impact it will have on the Organization's operations and financial position. Any financial impact to the Organization, if any, cannot be reasonably estimated at this time.

As a result of the COVID 19 pandemic, the Organization received \$75,131 from the SBA Paycheck Protection Program to assist with the payment of payroll and certain occupancy costs.