

# Financial Statements and Independent Auditor's Report

## **Mothers Against Drunk Driving**

For the years ended December 31, 2017 and 2016



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MOTHERS AGAINST DRUNK DRIVING

DECEMBER 31, 2017 AND 2016

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LANE GORMAN TRUBITT, LLC  
Accountants & Advisors

## Independent Auditor's Report

Board of Directors  
Mothers Against Drunk Driving

We have audited the accompanying financial statements of Mothers Against Drunk Driving ("MADD"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 MADD as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of MADD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MADD's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited MADD's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it is derived.

*Lane Goeman Teubitt, LLC*

Dallas, Texas  
June 29, 2018

Mothers Against Drunk Driving  
STATEMENT OF FINANCIAL POSITION  
December 31, 2017  
(with summarized comparative information for the year ended December 31, 2016)

ASSETS

	2017	2016
Cash and cash equivalents:		
Unrestricted	\$ 2,819,698	\$ 3,117,322
Restricted	304,652	302,445
Total cash and cash equivalents	3,124,350	3,419,767
Certificates of deposit	5,173,428	7,336,393
Investments	6,977,119	4,820,690
Trade accounts receivable, net	695,336	422,845
Grants receivable	1,452,949	1,369,612
Contributions receivable, net	1,905,129	2,019,044
Prepaid expenses and other	669,998	703,322
Literature and supplies inventory	18,845	21,342
Property and equipment, net	447,706	543,997
 Total assets	 \$ 20,464,860	 \$ 20,657,012

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 58,718	\$ 2,126
Accrued liabilities	1,774,043	2,199,212
Deferred revenue	199,197	272,706
Deferred rent	731,462	770,469
Total liabilities	2,763,420	3,244,513
 COMMITMENTS AND CONTINGENCIES		
	-	-
 NET ASSETS		
Unrestricted	14,976,731	14,708,977
Temporarily restricted	2,714,709	2,693,522
Permanently restricted	10,000	10,000
Total net assets	17,701,440	17,412,499
 Total liabilities and net assets	 \$ 20,464,860	 \$ 20,657,012

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

Mothers Against Drunk Driving  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended December 31, 2017  
(with summarized comparative information for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>REVENUES</b>					
Contributions					
Individuals	\$ 11,002,853	\$ 565,668	\$ -	\$ 11,568,521	\$ 10,727,102
Corporations	2,763,614	1,458,952	-	4,222,566	3,992,722
Foundations	498,095	100,912	-	599,007	589,685
In-kind	3,134,928	-	-	3,134,928	2,259,868
Grants					
Government	8,803,659	-	-	8,803,659	8,165,060
Special events	51,294	-	-	51,294	60,115
Cost of direct benefits to donors	<u>(110,039)</u>	<u>-</u>	<u>-</u>	<u>(110,039)</u>	<u>(96,124)</u>
Net special events	(58,745)	-	-	(58,745)	(36,009)
Other revenue					
Investment income	535,940	-	-	535,940	362,254
Victim impact panels	7,194,644	-	-	7,194,644	6,931,443
Licenses, promotions, and other	<u>1,962,691</u>	<u>-</u>	<u>-</u>	<u>1,962,691</u>	<u>1,764,946</u>
Total contributions, grants, special events, and other revenue	35,837,679	2,125,532	-	37,963,211	34,757,071
Net assets released from restrictions	<u>2,104,345</u>	<u>(2,104,345)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	37,942,024	21,187	-	37,963,211	34,757,071
<b>EXPENSES</b>					
Program services					
Campaign to Eliminate Drunk Driving	14,907,691	-	-	14,907,691	13,922,191
Victim Services	11,248,072	-	-	11,248,072	10,572,206
Underage Drinking	<u>1,931,626</u>	<u>-</u>	<u>-</u>	<u>1,931,626</u>	<u>2,453,316</u>
Total program services	28,087,389	-	-	28,087,389	26,947,713
Supporting services					
Management and general	4,732,917	-	-	4,732,917	4,222,363
Fundraising	<u>4,827,573</u>	<u>-</u>	<u>-</u>	<u>4,827,573</u>	<u>4,993,731</u>
Total supporting services	9,560,490	-	-	9,560,490	9,216,094
Total expenses	<u>37,647,879</u>	<u>-</u>	<u>-</u>	<u>37,647,879</u>	<u>36,163,807</u>
CHANGE IN NET ASSETS, BEFORE PROVISION FOR FEDERAL INCOME TAX	294,145	21,187	-	315,332	(1,406,736)
Provision for federal income tax	<u>(26,391)</u>	<u>-</u>	<u>-</u>	<u>(26,391)</u>	<u>(21,947)</u>
CHANGE IN NET ASSETS	267,754	21,187	-	288,941	(1,428,683)
NET ASSETS AT BEGINNING OF YEAR	<u>14,708,977</u>	<u>2,693,522</u>	<u>10,000</u>	<u>17,412,499</u>	<u>18,841,182</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,976,731</u>	<u>\$ 2,714,709</u>	<u>\$ 10,000</u>	<u>\$ 17,701,440</u>	<u>\$ 17,412,499</u>

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

Mothers Against Drunk Driving  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2017  
(with summarized comparative information for the year ended December 31, 2016)

	Program services				Supporting services			Total 2017	Total 2016
	Campaign to Eliminate Drunk Driving	Victim Services	Underage Drinking Prevention	Total	Management and general	Fundraising	Total		
Salaries, benefits, and related taxes	\$ 7,235,598	\$ 7,178,712	\$ 1,007,181	\$ 15,421,491	\$ 2,910,736	\$ 1,543,240	\$ 4,453,976	\$ 19,875,467	\$ 19,211,311
Professional fees and outside contract services	1,114,503	349,453	169,076	1,633,032	521,394	1,406,054	1,927,448	3,560,480	3,520,488
Advertising expense	2,664,632	838,816	52,449	3,555,897	-	1,222	1,222	3,557,119	2,722,473
Occupancy	766,195	1,148,184	174,508	2,088,887	343,509	107,591	451,100	2,539,987	2,604,787
Printed program materials	601,173	94,226	96,143	791,542	1,294	697,748	699,042	1,490,584	1,562,111
Supplies	789,616	300,962	177,584	1,268,162	37,094	150,242	187,336	1,455,498	1,289,338
Office expense	280,436	372,443	50,499	703,378	234,179	36,838	271,017	974,395	1,040,035
Travel	665,757	526,598	122,692	1,315,047	84,877	53,210	138,087	1,453,134	1,391,840
Postage and shipping	468,906	60,445	13,536	542,887	13,912	588,422	602,334	1,145,221	1,233,355
Service fees	112,929	289,015	41,764	443,708	523,969	88,899	612,868	1,056,576	969,498
Data management	92,555	1,923	1,072	95,550	-	125,370	125,370	220,920	335,017
Insurance	53,408	58,547	17,889	129,844	41,394	7,358	48,752	178,596	164,533
Meetings and conference registration	37,330	19,359	2,409	59,098	5,959	6,370	12,329	71,427	63,750
Other expense	24,653	9,389	4,824	38,866	14,600	15,009	29,609	68,475	55,271
	<u>\$ 14,907,691</u>	<u>\$ 11,248,072</u>	<u>\$ 1,931,626</u>	<u>\$ 28,087,389</u>	<u>\$ 4,732,917</u>	<u>\$ 4,827,573</u>	<u>\$ 9,560,490</u>	<u>\$ 37,647,879</u>	<u>\$ 36,163,807</u>

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

Mothers Against Drunk Driving  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2017  
(with summarized comparative information for the year ended December 31, 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 288,941	\$ (1,428,683)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Donated stock	(753,585)	-
Depreciation and amortization	129,931	127,519
Net realized and unrealized (gains) on investments and certificates of deposit	(338,494)	(197,040)
Restricted cash	(2,207)	10,652
Changes in operating assets and liabilities, net:		
Trade accounts receivable	(272,491)	(59,259)
Grants receivable	(83,337)	56,521
Contributions receivable	113,915	284,959
Prepaid expenses and other	33,324	75,757
Literature and supplies inventory	2,497	17,028
Accounts payable	56,592	(39,901)
Accrued liabilities	(425,169)	132,587
Deferred revenue	(73,509)	152,634
Deferred rent	(39,007)	(20,587)
Net cash used in operating activities	(1,362,599)	(887,813)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(33,640)	(27,350)
Proceeds from sale and maturities of certificates of deposit	2,869,528	4,062,916
Proceeds from sale of investments	1,340,951	510,655
Purchases of investments	(3,111,864)	(4,745,965)
Net cash provided (used in) by investing activities	1,064,975	(199,744)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(297,624)	(1,087,557)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	3,117,322	4,204,879
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 2,819,698	\$ 3,117,322
<b>Supplemental disclosure of cash flow information:</b>		
Income taxes paid	\$ 26,391	\$ 21,947

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

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**NATURE OF OPERATIONS**

Mothers Against Drunk Driving (“MADD”) is a national not-for-profit organization whose mission is to end drunk driving, help fight drugged driving, support the victims of these violent crimes, and prevent underage drinking.

MADD is a Washington, D.C. not-for-profit corporation. The 202 field locations (as of December 31, 2017) throughout the United States are integral parts of the corporation and have no separate legal status. Moreover, they function under the auspices of the MADD National Office, which in addition to directly administering various nationwide programs, provides organizational, technical, and other support services to these community-based groups.

Community programs consist of prevention and awareness programs and campaigns that are administered by the National Office and field locations to achieve the mission of MADD. These include programs to promote greater awareness about the problems of substance-impaired driving and underage drinking, programs to mobilize communities in eliminating these problems, support and advocacy services to drunk and drugged driving victims and their families, and other related programs. The following is a list of some of these programs, campaigns, and activities:

**Community Outreach, Public Awareness, and Public Policy**

- \* *Campaign to Eliminate Drunk Driving*®
- \* Public Policy/Government Relations
  - Legislative Updates and Alerts
  - Advocacy
  - e-Newsletter
  - Discussion Forum
  - Statistics
- \* Law Enforcement Recognition Events
- \* Law Enforcement Support/Collaboration
- \* Court Monitoring Program
- \* *Tie One On for Safety*®
- \* madd.org
- \* Media Awards
- \* *Walk Like MADD*®
- \* MADD National Conference
- \* Public Service Announcements
- \* Media Communications/Press Events
- \* Direct Mail Education/Awareness Programs
- \* Telephone Education/Awareness Programs
- \* General Educational materials & Brochures
- \* Volunteer Management: *Driven to Save Lives*
- \* *MADD Victim Impact Panels*®

**Underage Drinking Prevention**

- \* *Power of Parents*® Program
- \* *PowerTalk 21*® day
- \* Power of Parents *Start Making a Right Turn (SMART*™) parent program
- \* Power of You(th) *Start Making a Right Turn (SMART*™) teen program
- \* *Power of Community*® program
- \* *Power of You(th)*® program

**Victim Services**

- \* Victim Assistance 24 Hour 877-MADD-HELP helpline
- \* Crisis Intervention for Victims
- \* Court Accompaniment
- \* Victim Assistance Support, Advocacy & Education
- \* Victim Services How-to Manuals
- \* Online Support Group
- \* Child Endangerment Assistance
- \* Concerned Citizens Assistance
- \* Death Notification Seminars
- \* Victim Support Groups
- \* Victim Service Public Service Announcements
- \* Victim Tributes
- \* Beginning and Advanced Victim Assistance Training Institutes
- \* Training of Allied Professionals
- \* Trauma Tips
- \* Crime Victim Rights Week
- \* Victim Assistance Literature
- \* *MADDvocate*® Magazine
- \* *MADD Victim Impact Panels*®
- \* Victim Photo Board Wall of Honor
- \* Candlelight Victim/Survivor Tributes
- \* Live Online Chat Support

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

The accompanying financial statements include the accounts of the National Office and all field locations. Inter-location transactions and balances have been eliminated.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted net assets* – Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by actions of MADD and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by MADD. Generally, the donors of these assets permit MADD to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period unconditional promises to give are received. Bequests are recorded as contribution revenue when it has exited probate and the amount is determinable in accordance with GAAP. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of property and equipment are reported 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, MADD reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services are recognized as revenue if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that would typically need to be purchased if not provided by donation. Gifts of long-lived assets are recognized at fair value at the date of gift. MADD does not imply a time restriction on such gifts.

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation (Continued)

Income and investment gains and losses are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gift require they be included in principal of a permanent endowment fund;
- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- As increases (decreases) in unrestricted net assets in all other cases.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly-liquid investments purchased with an initial maturity of three months or less. MADD maintains its cash balances with high-credit-quality financial institutions located in various states, which at times may exceed federally insured limits. MADD monitors its risk under these arrangements and has not experienced any losses on such accounts.

Cash and securities maintained through a registered securities dealer are insured up to \$500,000 by the Securities Investor Protection Corporation (“SIPC”). SIPC covers losses from fraud and negligence of the registered securities dealer but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits. MADD has not incurred any losses in these accounts, outside normal trading activities, and does not believe that they are exposed to any significant credit risk.

Cash and Cash Equivalents - Restricted

Amounts presented as restricted cash and cash equivalents at December 31, 2017 and 2016 represent amounts restricted by a granting agency. These funds are required to be held in a separate bank account.

Certificates of Deposit

MADD’s investments in certificates of deposit, with original maturities greater than three months, are carried at amortized cost. These investments do not qualify as securities as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 320, *Investments – Debt and Equity Securities*, thus fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, for certificates of deposit are not provided. Net realized and unrealized gains (losses) are reflected in investment income in the statement of activities and changes in net assets.

Investments

Investments are stated at fair value based on quoted market prices. Realized gains and losses on disposition of investments are based on specific identification of securities sold. Dividend and interest income is recorded as earned on the accrual basis. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the accompanying statement of activities and changes in net assets.

Investment securities are exposed to various risks, such as interest rate, overall market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurements

MADD reports its fair value measurements using the framework for measuring fair value established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

*Level 1 Inputs* - Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuation of these instruments do not require a high degree of judgment since the valuations are based on readily available quoted prices in active markets.

*Level 2 Inputs* - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

*Level 3 Inputs* - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement. MADD's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

The use of the above described methods may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while MADD believes the valuation methods used in this report are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with MADD's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the years ended December 31, 2017 and 2016, there were no significant transfers among levels 1, 2 or 3.

Trade Accounts Receivable, Grants Receivable and Contributions Receivable

Grants receivable consist of amounts due from government agencies and represent amounts due to MADD in accordance with cost-reimbursement contracts. Trade accounts receivable are carried at the invoiced amount or the amount of reimbursable costs incurred, less an estimate made for doubtful receivables. Contributions receivable are primarily from organizations or individuals and are stated at the amount that management expects to collect from outstanding balances.

Government grant receivables are fully collectible. Trade accounts receivable and contributions receivable outstanding more than 90 days are considered past due. MADD determines its allowance for doubtful accounts based on past due amounts and other available information regarding the current status of individual accounts and current economic conditions. MADD writes off receivables when they become uncollectible. Recoveries of receivables previously written off are recorded when received. In the event of complete nonperformance, the maximum exposure to MADD is the outstanding receivable balance at the date of nonperformance. MADD does not consider an allowance necessary at December 31, 2017 and 2016.

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Prepaid Expenses and Other

Prepaid expenses and other consist of deposits, prepaid rent, prepaid insurance, and other similar amounts that relate to future periods.

Literature and Supplies Inventory

Supplies of literature and other program-related materials are stated at the lower of cost or market, with cost being determined using the actual cost method.

Property and Equipment

Donated property and equipment are recorded at fair value at date of receipt, and expenditures for property and equipment are stated at cost. MADD capitalizes those items in excess of \$5,000 which have a useful life greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Leasehold improvements are amortized on a straight-line basis over the respective lease term or life of the improvement, whichever is shorter.

Advertising

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2017 and 2016 were \$3,557,119 and \$2,722,473, respectively. Of this, approximately \$3,118,315 and \$2,255,346 were in-kind advertising costs for the years ended December 31, 2017 and 2016, respectively.

Revenue Recognition

*Victim Impact Panels*

Revenue from victim impact panels is recognized as the panels occur. Licenses, promotions, and other revenue are recognized when earned.

*Licenses, Promotions and Other*

MADD has entered into royalty agreements with various third parties relating to use of the MADD name and brand. Revenue recognized under these royalty agreements is included in licenses, promotions, and other revenue in the accompanying statements of activities and changes in net assets.

*Investment Income*

Investment income is included in the determination of change of net assets and is reported as other revenue in the accompanying statements of activities and changes in net assets.

*Grant Revenue*

Grant revenue is recognized as contract terms are fulfilled.

Deferred Revenue

Deferred revenue for MADD primarily consists of advance payments from granting agencies or future events to be held.

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Special Events

MADD conducts special fundraising events, including golf tournaments, runs, dinners, auctions, breakfasts, and bike rallies. However, only events where there is a registration or participation fee are included in special events revenue; contributions raised in conjunction with events are included as contribution revenue. The cost of the direct benefit to donors that the participant receives at such events is presented on the statements of activities and changes in net assets to result in net special events revenue. All other expenses related to special events are allocated to fundraising expense.

Joint Costs

As stated in the Financial Accounting Standards Board's Accounting Standards Codification topic 958 ("ASC 958"), *Not for Profit Entities*, costs included in conducting joint activities that are not identifiable with a particular component of the activity are allocated between fundraising and program services.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

Lease Accounting

MADD determines whether to account for its leases as operating, capital, or financing leases depending on the underlying terms of the lease agreement. This determination of classification is complex and requires significant judgment relating to certain information including the estimated fair value and remaining economic life of the leased assets, MADD's cost of funds, minimum lease payments, and other lease terms.

Income Taxes

MADD is exempt from federal income tax under 501(c)(3) of the United States Internal Revenue Code (the "Code"), except to the extent it has unrelated business income. MADD has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. For the years ended December 31, 2017 and 2016, MADD had net unrelated business income of approximately \$99,000 and \$141,000, respectively. Accordingly for the years ended December 31, 2017 and 2016, a provision for federal income tax has been provided in the accompanying statement of activities and changes in net assets and in accrued liabilities in the accompanying statement of financial position of approximately \$26,000 and \$22,000, respectively.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing MADD's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. MADD is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

MADD recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. MADD's informational returns filed are generally subject to examination for three years after the later of the due date or date of filing. As a result, MADD is no longer subject to income tax examinations by tax authorities for years prior to fiscal year 2014.

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

MADD is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; natural disasters; medical malpractice; employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. MADD has not experienced significant claims that exceeded this commercial coverage during the years ended December 31, 2017 or 2016.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no effect on the change in net assets for the years presented.

Comparative Totals

The financial statements and related footnotes include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with MADD's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The objective of this ASU is to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit's liquidity, financial performance and cash flows. The key provisions include net asset classes, investment return, expenses, liquidity and availability of resources and the statement of cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. MADD is currently assessing the impact this standard will have on its financial statements.

In February, 2016, the FASB issued ASU Update No. 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP - which requires only capital leases to be recognized on the statement of financial position - the new ASU will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 is effective for the years beginning after January 1, 2020 and for all periods presented. Early application of the amendments in this ASU is permitted. MADD is currently assessing the impact this standard will have on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue recognition (Topic 606): Revenue from Contracts with Customers*. This ASU introduces a new five step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for fiscal years beginning after December 31, 2017, including interim periods within that reporting period. MADD is currently assessing the impact this standard will have on its financial statements.

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recent Accounting Pronouncements (Continued)

In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-18, *Statement of Cash Flows (Topic 230): Disclosures for Restricted Cash*, which requires that, statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update are an improvement to GAAP because they provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU No. 2016-18 is effective for reporting periods beginning after December 15, 2018 and early adoption is permitted. The ASU is to be applied retrospectively in all periods presented in an entity’s financial statements. MADD is currently assessing the impact this standard will have on its financial statements.

**2. CERTIFICATES OF DEPOSIT AND INVESTMENTS**

MADD invests in certificates of deposit. Certificates of deposit are exposed to various risks, such as interest rate, overall market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect MADD’s account balances and the amounts reported in the statement of financial position.

Certificates of deposit at December 31, 2017 bear interest ranging from 0.65% to 3.24% and have maturities ranging from 2018 through 2021 with no penalties for early withdrawal.

The following table summarizes the carrying amounts and estimated fair values, by level within the fair value hierarchy, of the Organization’s financial instruments measured at fair value in the accompanying balance sheets as of December 31, 2017:

	Carrying Value	Measured at Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:					
Cash and cash equivalents	\$ 624,052	\$ 624,052	\$ 624,052	\$ -	\$ -
Mutual Funds:					
Fixed income	3,634,595	3,634,595	3,634,595	-	-
Domestic stock	1,620,875	1,620,875	1,620,875	-	-
International stock	1,097,597	1,097,597	1,097,597	-	-
	<u>\$ 6,977,119</u>	<u>\$ 6,977,119</u>	<u>\$ 6,977,119</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes the carrying amounts and estimated fair values, by level within the fair value hierarchy, of the Organization’s financial instruments measured at fair value in the accompanying balance sheets as of December 31, 2016:

	Carrying Value	Measured at Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:					
Cash and cash equivalents	\$ 1,975,766	\$ 1,975,766	\$ 1,975,766	\$ -	\$ -
Mutual Funds:					
Fixed income	1,679,140	1,679,140	1,679,140	-	-
Domestic stock	712,827	712,827	712,827	-	-
International stock	452,957	452,957	452,957	-	-
	<u>\$ 4,820,690</u>	<u>\$ 4,820,690</u>	<u>\$ 4,820,690</u>	<u>\$ -</u>	<u>\$ -</u>

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**2. CERTIFICATES OF DEPOSIT AND INVESTMENTS (Continued)**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents* are reflected in the financial statements at amounts which approximate fair value, primarily because of the short-term maturity of those instruments.

*Mutual funds* are valued based on quoted market prices.

The methods described above could produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following summarizes total investment income related to certificates of deposit and investments for the year ended December 31:

	<u>2017</u>	<u>2016</u>
Interest income	\$ 213,046	\$ 172,149
Net realized and unrealized gain (loss) on investments	338,494	197,040
Premium (discount) on amortization	157	(815)
Investment fees	<u>(15,757)</u>	<u>(6,120)</u>
	<u>\$ 535,940</u>	<u>\$ 362,254</u>

**3. CONTRIBUTIONS RECEIVABLE**

Included in contributions receivable are the following unconditional promises to give at December 31:

	<u>2017</u>	<u>2016</u>
Pledges and receivable from a charitable lead trust before unamortized discount	\$ 1,957,126	\$ 2,090,624
Less unamortized discount	<u>(51,997)</u>	<u>(71,580)</u>
Net unconditional promise to give	<u>\$ 1,905,129</u>	<u>\$ 2,019,044</u>

Contributions receivable are discounted using a rates ranging from .74% to 2.04%.

Contributions receivable are expected to be collected in:

Less than one year	\$ 1,662,877
One to five years	130,776
Greater than five years	<u>163,473</u>
	<u>\$ 1,957,126</u>

MADD is a beneficiary of a charitable lead trust from which MADD is to receive over a period of 15 years, an amount each year equal to the value of the remaining income and principal of the trust fund divided by the number of years remaining in the term of the trust fund. The present value of future cash receipts from this trust fund was approximately \$278,055 and \$310,000 as of December 31, 2017 and 2016, respectively, and is recorded in contributions receivable.

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	Estimated Useful Lives	2017	2016
Furniture and fixtures	3 – 5 years	\$ 121,609	\$ 133,123
Office equipment	3 – 5 years	619,278	697,750
Copier equipment	3 – 5 years	183,517	149,877
Leasehold improvements	Life of lease	442,287	443,581
		<u>1,366,691</u>	<u>1,424,331</u>
Less accumulated depreciation and amortization		(918,985)	(880,334)
		<u>\$ 447,706</u>	<u>\$ 543,997</u>

**5. ACCRUED LIABILITIES**

Accrued liabilities consist of the following at December 31:

	2017	2016
Accrued payroll and vacation	\$ 1,306,005	\$ 1,195,876
Other accrued expenses	468,038	1,003,336
	<u>\$ 1,774,043</u>	<u>\$ 2,199,212</u>

**6. NET ASSETS**

Net assets consist of the following at December 31:

	2017	2016
Unrestricted	\$ 14,976,731	\$ 14,708,977
Temporarily restricted:		
Specific future periods	881,513	801,500
Specific future periods and specific program and support activities	1,833,196	1,149,136
Specific program and support activities	-	742,886
Permanently restricted:		
Endowment	10,000	10,000
	<u>\$ 17,701,440</u>	<u>\$ 17,412,499</u>

**7. NET ASSETS RELEASED FROM RESTRICTION**

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by passage of time or occurrence of events specified by the donor were as follows for the years ended December 31:

	2017	2016
Fulfillment of use restrictions	\$ 1,919,550	\$ 1,683,711
Release of time restrictions	184,795	458,768
	<u>\$ 2,104,345</u>	<u>\$ 2,142,479</u>

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**8. ALLOCATION OF JOINT COSTS**

Joint costs paid by MADD to outside firms for education materials and activities that included fundraising appeals have been allocated as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Programs	\$ 1,938,881	\$ 2,140,578
Fundraising	<u>2,935,548</u>	<u>2,946,761</u>
	<u>\$ 4,874,429</u>	<u>\$ 5,087,339</u>

**9. EMPLOYEE BENEFIT PLANS**

MADD has two employee benefit plans. A defined contribution retirement plan (the “401(a) Plan”) and a tax-deferred retirement plan (the “403(b) Plan”). The 401(a) Plan covers all eligible employees of MADD who are at least 21 years of age, have completed one year of service, and have worked at least 1,000 hours. Employee contributions are not allowed under the 401(a) Plan. Employees are fully vested after five years of service or, if hired prior to July 1989 are fully vested after three years of service. Employer contributions are discretionary and determined annually by MADD. There were no discretionary contributions for the years ended December 31, 2017 or 2016.

MADD allows eligible employees to contribute to the 403(b) Plan, which is subject to Sections 403 and 501 of the Code. All eligible employees may contribute to the 403(b) Plan any whole percentage of their eligible salary not to exceed the maximum allowed by the Code. The total value of the participant’s contribution is fully and immediately vested. MADD matches eligible employee contributions up to 3% of compensation. MADD’s contributions to the 403(b) Plan, which are included in salaries, benefits, and taxes on the statements of functional expenses, were \$248,564 and \$240,701 for the years ended December 31, 2017 and 2016, respectively.

**10. IN-KIND CONTRIBUTIONS AND DONATED PERSONAL SERVICES OR VOLUNTEERS**

MADD receives in-kind contributions consisting of donated materials and professional services. Contributed services are recorded if the service (a) creates or enhances nonfinancial assets or (b) requires specialized skills which would typically need to be purchased if not contributed. In-kind donations are included in total revenues and expenses in the accompanying statements of activities and changes in net assets at their estimated fair values for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Public service announcements	\$ 3,118,315	\$ 2,255,346
Supplies	8,827	1,116
Special event auction items and supplies	<u>7,786</u>	<u>3,406</u>
	<u>\$ 3,134,928</u>	<u>\$ 2,259,868</u>

In-kind contributions benefit various functions and are allocated among those functions in the accompanying statement of functional expenses.

In addition, MADD receives services from a large number of volunteers who give significant amounts of their time to MADD for programs, fundraising campaigns, and management. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria discussed above.

Mothers Against Drunk Driving  
NOTES TO FINANCIAL STATEMENTS

**11. LEASES**

The MADD National Office and certain field locations have non-cancelable operating lease agreements for office space at various locations that expire through March 2026. Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases. MADD recognizes escalating lease payments on a straight-line basis over the term of each respective lease. Future annual minimum lease payments due under these leases are as follows for the years ended December 31:

2018	\$ 1,210,807
2019	916,375
2020	663,046
2021	539,260
2022	519,514
Thereafter	<u>1,870,405</u>
	<u>\$ 5,719,407</u>

Rent expense, which is included in occupancy on the statement of functional expenses, totaled approximately \$1,846,000 and \$1,876,000 for the years ended December 31, 2017 and 2016, respectively.

MADD has contracted with a third party vendor to represent MADD in various real estate leasing transactions and to perform administrative functions related to those leases. The agreement has a term of three years with optional multi-year extensions.

**12. COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS**

MADD, in its normal course of business, is subject to various legal actions. Additionally, federal, state, and other grants are subject to periodic review and assessment by related federal, state, and other agencies. MADD believes the ultimate outcome of these matters will not have a material effect on MADD's financial position, results of operations, or cash flows.

At December 31, 2017 four donors comprised approximately 83% of contributions receivable. In addition, at December 31, 2017 one grantor comprise approximately 14% of grants receivable, and two entities comprise approximately 59% of trade accounts receivable.

At December 31, 2016 three donors compromised approximately 78% of contributions receivable. In addition, at December 31, 2016 one grantor compromised approximately 18% of grants receivable, and two entities compromised approximately 78% of trade accounts receivable.

For both years ended December 31, 2017 and 2016, approximately 21% of total revenue was related to federal awards. For both years ended December 31, 2017 and 2016, approximately 99% of total federal awards were related to two federal agencies, the U.S. Department of Transportation and U.S. Department of Justice.

MADD has entered into various sponsorships and licensing agreements with third parties relating to use of certain MADD service marks, trade names, and logos. The terms of the agreements range from one to five years. Certain third parties have also agreed to pay MADD a royalty for each item of merchandise bearing certain MADD service marks, trade names, and logos. Future minimum payments due under these agreements are as follows for the years ended December 31:

2018	\$ 757,200
2019	527,160
2020	65,296
2021	<u>10,000</u>
	<u>\$ 1,359,656</u>

**13. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 29, 2018, the date the financial statements were available to be issued.