

Financial Statements and Report of Independent Certified Public Accountants

Mothers Against Drunk Driving

June 30, 2003

Report of Independent Certified Public Accountants

The Board of Directors
Mothers Against Drunk Driving

We have audited the accompanying statement of financial position of Mothers Against Drunk Driving (National Office and all State Organizations and Chapters, collectively referred to as "MADD") as of June 30, 2003, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of MADD's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from MADD's 2002 financial statements and, in our report dated November 1, 2002, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mothers Against Drunk Driving as of June 30, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2003 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, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



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November 7, 2003

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Mothers Against Drunk Driving

STATEMENT OF FINANCIAL POSITION

June 30, 2003
(with comparative totals for 2002)

ASSETS	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$11,327,974	\$19,998,502
Investments, at market value	10,852,487	2,272,889
Receivables, net	2,949,930	2,890,930
Contributions receivable	541,486	758,402
Literature and supplies	396,651	588,992
Prepaid expenses and other	558,979	441,603
Property and equipment, net	<u>1,145,934</u>	<u>1,414,408</u>
Total assets	<u>\$27,773,441</u>	<u>\$28,365,726</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,627,131	\$ 1,168,619
Accrued liabilities	1,190,330	1,110,587
Deferred revenue	<u>230,961</u>	<u>342,254</u>
Total liabilities	3,048,422	2,621,460
Net assets		
Unrestricted	23,735,076	24,792,412
Temporarily restricted	979,943	941,854
Permanently restricted	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>24,725,019</u>	<u>25,744,266</u>
Total liabilities and net assets	<u>\$27,773,441</u>	<u>\$28,365,726</u>

The accompanying notes are an integral part of this statement.

Mothers Against Drunk Driving

STATEMENT OF ACTIVITIES

Year ended June 30, 2003
(with comparative totals for 2002)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2003 Total</u>	<u>2002 Total</u>
Revenues					
Contributions					
Individuals	\$20,237,365	\$ 70,459	\$ -	\$20,307,824	\$20,428,375
Corporations	3,540,738	788,708	-	4,329,446	4,261,833
Foundations	382,736	219,465	-	602,201	926,284
In-kind	1,929,138	3,732	-	1,932,870	2,551,033
Grants					
Government	9,328,367	-	-	9,328,367	8,419,699
Corporations	131,247	-	-	131,247	149,956
Foundations	516,816	-	-	516,816	393,101
Special events	1,054,208	41,179	-	1,095,387	1,305,937
Costs of direct benefits to donors	<u>(271,436)</u>	<u>-</u>	<u>-</u>	<u>(271,436)</u>	<u>(429,036)</u>
Net special events	782,772	41,179	-	823,951	876,901
Other revenue					
Memberships	225,275	-	-	225,275	236,775
Investment income	293,999	227	-	294,226	474,739
Victim impact panels	2,975,640	24,950	-	3,000,590	2,657,293
Licenses, promotions and other	<u>5,484,428</u>	<u>55,509</u>	<u>-</u>	<u>5,539,937</u>	<u>5,330,776</u>
	45,828,521	1,204,229	-	47,032,750	46,706,765
Net assets released from restrictions	<u>1,166,140</u>	<u>(1,166,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	46,994,661	38,089	-	47,032,750	46,706,765
Expenses					
Program services					
Community programs	33,807,920	-	-	33,807,920	33,484,548
Field services	<u>4,405,662</u>	<u>-</u>	<u>-</u>	<u>4,405,662</u>	<u>4,607,352</u>
Total program services	38,213,582	-	-	38,213,582	38,091,900
Supporting services					
Management and general	3,529,669	-	-	3,529,669	3,358,582
Fund-raising	<u>6,308,746</u>	<u>-</u>	<u>-</u>	<u>6,308,746</u>	<u>5,900,541</u>
Total supporting services	<u>9,838,415</u>	<u>-</u>	<u>-</u>	<u>9,838,415</u>	<u>9,259,123</u>
Total expenses	<u>48,051,997</u>	<u>-</u>	<u>-</u>	<u>48,051,997</u>	<u>47,351,023</u>
Change in net assets	(1,057,336)	38,089	-	(1,019,247)	(644,258)
Net assets at beginning of year	<u>24,792,412</u>	<u>941,854</u>	<u>10,000</u>	<u>25,744,266</u>	<u>26,388,524</u>
Net assets at end of year	<u>\$23,735,076</u>	<u>\$ 979,943</u>	<u>\$10,000</u>	<u>\$24,725,019</u>	<u>\$25,744,266</u>

The accompanying notes are an integral part of this statement.

Mothers Against Drunk Driving

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2003
(with comparative totals for 2002)

	Program services		Supporting services		2003		2002	
	Community programs	Field services	Total	Management and general	Fund-raising	Total	Total	Total
Printing, publications, and related materials	\$ 7,715,727	\$ 350,969	\$ 8,066,696	\$ 28,891	\$ 1,477,517	\$ 1,506,408	\$ 9,573,104	\$ 10,485,628
Postage	2,670,478	129,323	2,799,801	80,204	963,469	1,043,673	3,843,474	3,391,308
Telephone	835,328	128,035	963,363	110,726	6,412	117,138	1,080,501	1,102,270
Victim impact panels	184,037	2,089	186,126	-	-	-	186,126	168,955
Salaries, benefits, and related taxes	11,280,259	1,787,065	13,067,324	2,049,980	788,610	2,838,590	15,905,914	15,454,237
Data management	570,492	1,261	571,753	1,736	301,526	303,262	875,015	902,848
Occupancy	1,768,605	277,271	2,045,876	387,113	69,657	456,770	2,502,646	2,419,723
Professional fees	4,205,307	428,532	4,633,839	200,363	2,378,920	2,579,283	7,213,122	6,590,740
Special events - indirect	-	-	-	-	149,781	149,781	149,781	429,360
Conferences and workshops	734,913	108,770	843,683	59,185	13,480	72,665	916,348	999,297
Travel	2,027,646	673,860	2,701,506	197,448	37,887	235,335	2,936,841	2,761,719
Supplies	1,114,539	263,040	1,377,579	125,470	5,639	131,109	1,508,688	1,450,108
Depreciation and amortization	294,954	130,736	425,690	152,112	22,709	174,821	600,511	524,030
Insurance	111,007	71,201	182,208	75,272	10,070	85,342	267,550	225,839
Other	294,628	53,510	348,138	61,169	83,069	144,238	492,376	444,961
	<u>\$ 33,807,920</u>	<u>\$ 4,405,662</u>	<u>\$ 38,213,582</u>	<u>\$ 3,529,669</u>	<u>\$ 6,308,746</u>	<u>\$ 9,838,415</u>	<u>\$ 48,051,997</u>	<u>\$ 47,351,023</u>

The accompanying notes are an integral part of this statement.

Mothers Against Drunk Driving

STATEMENT OF CASH FLOWS

Year ended June 30, 2003
(with comparative totals for 2002)

	2003	2002
Cash flows from operating activities		
Change in net assets	\$ (1,019,247)	\$ (644,258)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Noncash contributions	-	(205,184)
Depreciation and amortization	600,511	524,030
Loss on disposal of property and equipment	565	17,942
Net realized and unrealized gains on investments	(51,801)	(23,182)
Changes in operating assets and liabilities		
Receivables	216,916	716,727
Contributions receivable	(59,000)	(861,206)
Literature and supplies	192,341	122,363
Prepaid expenses and other	(117,376)	(155,277)
Accounts payable	458,512	(254,541)
Accrued liabilities	79,743	32,587
Deferred revenue	(111,293)	(89,977)
Net cash provided by (used in) operating activities	189,871	(819,976)
Cash flows from investing activities		
Proceeds from sale of property and equipment	3,371	-
Purchases of property and equipment	(335,973)	(455,090)
Proceeds from sales and maturities of investments	1,953,459	1,626,542
Purchases of investments	(10,481,256)	(1,070,092)
Net cash (used in) provided by investing activities	(8,860,399)	101,360
Decrease in cash and cash equivalents	(8,670,528)	(718,616)
Cash and cash equivalents at beginning of year	19,998,502	20,717,118
Cash and cash equivalents at end of year	<u>\$ 11,327,974</u>	<u>\$ 19,998,502</u>

The accompanying notes are an integral part of this statement.

Mothers Against Drunk Driving

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

NOTE A - NATURE OF OPERATIONS

Mothers Against Drunk Driving (MADD) is a national nonprofit organization whose mission is to stop drunk driving, support the victims of this violent crime, and prevent underage drinking.

MADD is a single corporation. The 36 State Organizations and 599 Chapters 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 programs and activities that are administered by the National Office, State Organizations and Chapters to achieve the mission and objectives of MADD. These activities include programs to promote greater awareness among youth and the general public about the problem of impaired drivers, programs to mobilize communities in eliminating this problem, support and advocacy services to victims and their families, and other related programs. The following is a list of some of these programs and activities.

Community, Public Awareness, and Public Policy

- Court Monitoring
- Speakers Bureau
- *Tie One On for Safety*
- *National Sobriety Checkpoint Week*
- MADD Dash
- Public Service Announcements
- Newsletters
- Media Communications/Press Events
- Public Policy/Government Relations
- Direct Mail Education/Awareness Programs
- DRIVEN Magazine
- Pasa las Llaves (Pass the Keys) Program
- "It's Time To Get MADD All Over Again" Report
- General Information Brochures
- Leadership MADD
- Telephone Education/Awareness Programs
- Legislative Updates and Alerts
- Public Policy Regional Training Institutes
- MADD National Conference
- Native American Cultural Awareness Kits
- MADD On-Line
 - Victim Tribute
 - Advocacy
 - Daily News Service
 - Victim Chat
 - e-Newsletter
 - Calendar of Events
 - Discussion Forum
 - Spanish Language Site
 - Community Awareness
 - Statistics

Youth

- Prom and Graduation Activities
- Team Spirit Conferences
- *Youth in Action* Community Projects
- Educational Materials and Brochures
- Youth Leadership Power Camps
- UMADD College Campus Chapters
- *The Key* CD Rom for Families
- Multi-Media Assembly Programs
- Underage Drinking Public Service Announcements
- *Protecting You/Protecting Me* Elementary Curriculum
- State Youth Summits
- Youth Advisory Boards

Mothers Against Drunk Driving

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE A - NATURE OF OPERATIONS - Continued

Victim Services

- Beginning and Advanced Victim Assistance Training Institutes
- Victim Assistance Literature
- MADDvocate Magazine
- Victim Impact Panels
- Victim Assistance Toll Free Number
- Victim Photo Board
- Candlelight Vigils
- Death Notification Seminars
- Victim Support Groups
- Trauma Tips
- Crisis Response Teams
- Victim Rights Week
- Crisis Intervention for Victims
- Court Accompaniment
- Training of Allied Professionals
- Victim Assistance Support and Advocacy
- Victim Services How-to Manuals
- Family Focus Gatherings
- Victims' Conference
- Cyber Support Group

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements include the accounts of MADD, including the National Office, State Organizations and Chapters. The transactions and balances among them 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:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by MADD.

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.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets 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 temporarily restricted 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 when unconditional promises to give are received. 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 using risk-free interest rates applicable to the years in which the contributions are received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Mothers Against Drunk Driving

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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.

Grants received from government agencies or foundations in exchange transactions in which the government or foundation has placed limitations on the use of the resources are reported as unrestricted revenues when expended, because the limitations are not donor-imposed restrictions on contributions.

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Investments

Investments are recorded at market value based on quoted market prices. The net realized and unrealized gains (losses) are reflected in the statement of activities.

Receivables

Receivables are primarily due from government agencies and represent amounts due to MADD in accordance with cost-reimbursement contracts. MADD writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the provision for bad debts account.

Literature and Supplies

Supplies of literature and other program-related materials are stated at the lower of cost or market, with cost being determined using the average 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. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets ranging from three to seven years.

Mothers Against Drunk Driving

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Joint Costs

Joint costs included in conducting joint activities that are not identifiable with a particular component of the activity are allocated between fund-raising and program services, if the criteria for purpose, audience, and content set forth in Statement of Position 98-2 "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising" are met.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

MADD has received a determination letter from the Internal Revenue Service granting it tax-exempt status under Internal Revenue Code Section 501(c)(3) and public charity status under Internal Revenue Code Section 509(a)(1). Accordingly, MADD is not subject to federal or state income taxes except to the extent it derives income from certain activities not substantially related to its tax-exempt purposes (unrelated trade or business activities).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Reclassifications

Certain 2002 amounts were reclassified to conform with the 2003 presentation.

Comparative Financial Statements

The financial statements 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MADD's financial statements for the year ended June 30, 2002, from which the summarized information was derived.

Mothers Against Drunk Driving

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE C - INVESTMENTS

Investments at market value consist of the following:

	June 30,	
	2003	2002
Certificates of deposit	\$ 479,963	\$1,787,201
Corporate stocks and bonds	70,537	192,083
Government securities	<u>10,301,987</u>	<u>293,605</u>
	<u>\$10,852,487</u>	<u>\$2,272,889</u>

The following summarizes total investment income:

	Years ended June 30,	
	2003	2002
Interest income	\$242,425	\$451,557
Net realized and unrealized gains on investments	<u>51,801</u>	<u>23,182</u>
	<u>\$294,226</u>	<u>\$474,739</u>

NOTE D - CONTRIBUTIONS RECEIVABLE

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

	June 30,	
	2003	2002
Pledges	\$515,842	\$689,481
Restricted for various programs	5,000	-
Restricted to future periods	<u>20,833</u>	<u>70,833</u>
Unconditional promises to give before unamortized discount	541,675	760,314
Less unamortized discount	<u>(189)</u>	<u>(1,912)</u>
Net unconditional promises to give	<u>\$541,486</u>	<u>\$758,402</u>
Amounts due in:		
Less than one year	<u>\$541,486</u>	

Mothers Against Drunk Driving

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE E - PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

	June 30.	
	2003	2002
Furniture and fixtures	\$ 225,528	\$ 224,940
Office equipment	3,719,759	3,482,062
Leasehold improvements	<u>324,027</u>	<u>324,697</u>
	4,269,314	4,031,699
Less accumulated depreciation and amortization	<u>(3,129,580)</u>	<u>(2,623,491)</u>
	1,139,734	1,408,208
Land	<u>6,200</u>	<u>6,200</u>
	<u>\$ 1,145,934</u>	<u>\$ 1,414,408</u>

NOTE F - NET ASSETS

Net assets consist of the following:

	June 30.	
	2003	2002
Unrestricted		
Net investment in property and equipment	\$ 1,145,934	\$ 1,414,408
Unfunded commitments, program supplementation, and operating contingencies	22,589,142	23,378,004
Temporarily restricted		
Restricted to future periods	20,644	68,921
Specific program and support activities	959,299	872,933
Permanently restricted		
Endowment	<u>10,000</u>	<u>10,000</u>
	<u>\$24,725,019</u>	<u>\$25,744,266</u>

Mothers Against Drunk Driving

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE G - ALLOCATION OF JOINT COSTS

Joint costs paid by MADD to outside firms for educational materials and activities that included fund-raising appeals have been allocated as follows:

	<u>Years ended June 30,</u>	
	<u>2003</u>	<u>2002</u>
Community programs	\$ 7,670,888	\$ 7,478,544
Fund-raising	<u>4,903,975</u>	<u>4,753,197</u>
	<u>\$12,574,863</u>	<u>\$12,231,741</u>

NOTE H - EMPLOYEE BENEFIT PLANS

A defined contribution retirement plan covers all 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. Employees are fully vested after five years of service or, if hired prior to July 1989, are fully vested after three years. MADD makes a contribution to the plan each year based upon a percentage of each eligible employee's compensation. Such contributions are funded on a quarterly basis. MADD's contributions for the years ended June 30, 2003 and 2002 were approximately \$435,000 and \$555,000, respectively.

MADD allows employees to contribute to a tax-deferred annuity (the Plan) which is subject to Section 403(b) of the Internal Revenue Code. All employees are eligible to contribute to the Plan any whole percentage of their salary not to exceed the maximum allowed by the Internal Revenue Code. The total value of the participant's contribution is fully and immediately vested.

NOTE I - IN-KIND CONTRIBUTIONS AND DONATED PERSONAL SERVICES OF VOLUNTEERS

MADD receives in-kind contributions consisting of donated materials and professional services. These donations are presented in the accompanying statement of activities for the years ended June 30, 2003 and 2002 at their estimated fair values of approximately \$1,933,000 and \$2,551,000, respectively.

In addition, MADD receives services from a large number of volunteers who give significant amounts of their time to MADD for programs, fund-raising campaigns, and management. No amounts have been reflected in the accompanying statement of activities for these types of donated services since these services do not (a) create or enhance nonfinancial assets or (b) require specialized skills which would typically need to be purchased if not contributed.

Mothers Against Drunk Driving

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2003

NOTE J - INCOME TAXES

MADD is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. MADD incurred income taxes of \$21,678 and \$-0- in 2003 and 2002, respectively, on unrelated business income generated from various sponsorships.

NOTE K - LEASES

The MADD National Office, certain State Organizations, and certain Chapters have noncancelable operating lease agreements for office space that expire through June 30, 2010. Future annual minimum lease payments due under these leases are as follows:

Years ending <u>June 30,</u>	
2004	\$1,464,627
2005	953,759
2006	651,308
2007	546,067
2008	503,015
Thereafter	<u>969,005</u>
	<u>\$5,087,781</u>

Rent expense for the years ended June 30, 2003 and 2002 was approximately \$2,299,000 and \$2,226,000, respectively.

NOTE L - COMMITMENTS AND CONTINGENCIES

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 the related federal and other agencies. MADD believes the ultimate outcome of these matters will not have a material effect on MADD's financial position or results of operations.