

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
(A Nonprofit Organization)

JACKSON, MICHIGAN

FINANCIAL STATEMENTS

JULY 31, 2020

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WILLIS & JURASEK

CPAS AND CONSULTANTS

Independent Auditors' Report

To the Board of Directors and Management of
National Child Safety Council and Subsidiary

We have audited the accompanying consolidated financial statements of National Child Safety Council (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of July 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' 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 National Child Safety Council and Subsidiary as of July 31, 2020, 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.

Willis & Turasek, P.C.

June 7, 2021

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JULY 31, 2020

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 294,037
Restricted cash	226,047
Investments	572,579
Contributions receivable - net	3,902
Other receivables	3,235
Inventory	389,578
Prepaid expenses	44,491
Total current assets	1,533,869

OTHER ASSETS:

Due from related parties	22,583
Intangible assets - net	750
Total other assets	23,333

PROPERTY, PLANT AND EQUIPMENT:

Property and equipment - net	648,268
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Total assets	\$ 2,205,470
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 62,988
Accrued expenses	85,410
Notes payable - current portion	836
Total current liabilities	149,234

LONG-TERM LIABILITIES

Notes payable - net of current portion	374,891
Due to related parties	97,455
Total long-term liabilities	472,346

Total liabilities	621,580
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NET ASSETS

Net assets without donor restrictions	1,583,890
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Total liabilities and net assets	\$ 2,205,470
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(The accompanying notes are an integral part of these financial statements)

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2020

REVENUES:	
Contributions	\$ 2,226,972
Advertising revenue	110,483
Special fundraising - net	344,334
Other operating income	<u>165</u>
Total revenues	<u>2,681,954</u>
EXPENSES:	
Program services:	
Child safety education	1,029,909
Research and development	<u>130,750</u>
Total program services	<u>1,160,659</u>
Supporting services:	
Management and general	462,450
Special fundraising	312,558
Other fundraising	<u>1,322,351</u>
Total support services	<u>2,097,359</u>
Total expenses	<u>3,258,018</u>
EXCESS OF REVENUES OR (EXPENSES) - BEFORE OTHER INCOME (EXPENSES)	(576,064)
OTHER INCOME (EXPENSES):	
Investment income (loss) - net	11,805
Unrealized gain (loss) on investments	<u>22,315</u>
Total other income (expenses)	<u>34,120</u>
CHANGE IN NET ASSETS	(541,944)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	<u>2,125,834</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	<u><u>\$ 1,583,890</u></u>

(The accompanying notes are an integral part of these financial statements)

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (541,944)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization expense	64,071
Unrealized (gain) loss on investments	(22,315)
Investment income reinvested - net	(10,035)
Change in:	
Contributions receivable - net	1,989
Other receivables	(2,407)
Inventory	(44,697)
Prepaid expenses	42,166
Accounts payable	(13,921)
Accrued expenses	(30,728)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(557,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Loans to related parties - net	<u>(5,550)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(5,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from Paycheck Protection Program	368,200
Principal payments on notes payable	(836)
Repayments to related parties - net	<u>(62,047)</u>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>305,317</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(258,054)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>778,138</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 520,084</u>
SUPPLEMENTAL DISCLOSURE	
Interest paid (net of \$0 capitalized)	\$ 7,692
CASH ON THE STATEMENT OF FINANCIAL POSITION SHOWN AS:	
Cash and cash equivalents	\$ 294,037
Restricted cash	<u>226,047</u>
Total cash	<u>\$ 520,084</u>

(The accompanying notes are an integral part of these financial statements)

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2020

	PROGRAM SERVICES		
	CHILD SAFETY EDUCATION	RESEARCH AND DEVELOPMENT	TOTAL PROGRAM SERVICES
COMPENSATION:			
Salaries	\$ 336,182	\$ 110,285	\$ 446,467
Employee benefits and taxes	61,714	19,870	81,584
Total compensation	<u>397,896</u>	<u>130,155</u>	<u>528,051</u>
OTHER EXPENSES:			
Educational publications and materials	406,230		406,230
Supplies	19,509	512	20,021
Travel and company paid expenses	5,273		5,273
Postage and copies			
Legal and professional	29,087		29,087
Utilities	7,981		7,981
Automobile	4,031		4,031
Telephone	4,916		4,916
Maintenance and repairs	10,320		10,320
Filing fees and licenses	3,759		3,759
Insurance	70,238		70,238
Interest and service charges	4,336		4,336
Contract services	3,629		3,629
Dues and subscriptions			
Office and equipment rental	7,856		7,856
Data processing expense			
Conventions and meetings	32,519		32,519
Miscellaneous			
Property taxes			
Bingo paper and gaming products			
Advertising	6,611		6,611
Total expenses before depreciation and amortization	<u>1,014,191</u>	<u>130,667</u>	<u>1,144,858</u>
Depreciation	15,718		15,718
Amortization of copyrights		83	83
Total expenses	<u>\$ 1,029,909</u>	<u>\$ 130,750</u>	<u>\$ 1,160,659</u>

(The accompanying notes are an integral part of these financial statements)

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2020

MANAGEMENT AND GENERAL	SUPPORTING SERVICES		TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
	SPECIAL FUND RAISING	OTHER FUND RAISING		
\$ 194,325	\$ 8,640	\$ 896,006	\$ 1,098,971	\$ 1,545,438
35,772	2,079	98,209	136,060	217,644
<u>230,097</u>	<u>10,719</u>	<u>994,215</u>	<u>1,235,031</u>	<u>1,763,082</u>
				406,230
7,892	42,653	21,313	71,858	91,879
5,273		203,822	209,095	214,368
7,461		70,516	77,977	77,977
29,087	2,784	6,463	38,334	67,421
7,981		7,981	15,962	23,943
4,032			4,032	8,063
4,916		4,916	9,832	14,748
10,318		2,102	12,420	22,740
470	28,917	470	29,857	33,616
35,119			35,119	105,357
4,336			4,336	8,672
4,386	23,045		27,431	31,060
711			711	711
7,856	54,200	10,553	72,609	80,465
44,316			44,316	44,316
				32,519
3,285	40,558		43,843	43,843
34			34	34
	75,058		75,058	75,058
6,610	34,624		41,234	47,845
<u>414,180</u>	<u>312,558</u>	<u>1,322,351</u>	<u>2,049,089</u>	<u>3,193,947</u>
48,270			48,270	63,988
				83
<u>\$ 462,450</u>	<u>\$ 312,558</u>	<u>\$ 1,322,351</u>	<u>\$ 2,097,359</u>	<u>\$ 3,258,018</u>

(The accompanying notes are an integral part of these financial statements)

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities -

The consolidated financial statements include the accounts of National Child Safety Council, and its wholly-owned subsidiary, Child Safety of America, Inc. (collectively referred to as the Organization).

National Child Safety Council is a not-for-profit organization which promotes the importance of child safety to adults and children across the country. The Organization accomplishes its goal by creating, producing, and distributing literature primarily to elementary schools. Donations are solicited to support these activities in addition to certain fundraising activities.

Child Safety of America, Inc. (the Subsidiary), the subsidiary of the Organization, is a for-profit corporation, also supporting the promotion of the importance of child safety through the sale of advertisements to be printed on the child safety literature it distributes.

The Organization shares common management, personnel, and facilities with certain other not-for-profit organizations in a coordinated effort to provide a wide range of child safety training and education. The related organizations also share costs related to employees, occupancy and operations. These expenses are allocated based on the volume of activity for each entity.

New Accounting Pronouncement -

The Organization and its subsidiary have adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606), as amended as of August 1, 2019. Analysis of various provisions of this standard resulted in no significant changes in the recognition of revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Basis of Accounting -

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned. Expenses are recognized when incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation -

Financial statement presentation follows the standards set by the Financial Accounting Standards Board (FASB). These standards were updated August, 2016 with an effective date of January 1, 2018. According to these professional standards, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organizations and/or the passage of time. When a restriction expires, 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.

Cash and Cash Equivalents -

Cash and cash equivalents include all monies in banks and petty cash on hand.

The Indiana Charitable Gaming Commission requires the Organization to maintain separate a separate bank account for gaming revenue collected from the bingo facility operated in Indianapolis, Indiana. This money cannot be mixed with the operating bank account of the Organization and the allowable expenses are limited by Indiana code section 4-32.2-5-3. As of July 31, 2020, the amount of restricted cash held by the Organization is \$226,047.

Investments -

The Organization classifies its investments as available-for-sale securities. Available-for-sale securities are recorded at fair value, with the change in fair value recorded as unrealized gain (loss) on investments.

Fair Value Measurements -

US GAAP establishes a fair value measurement framework, including a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under US GAAP are distinguished by inputs to the valuation methodology summarized as follows:

Level 1 (highest priority) – Quoted market prices for identical assets or liabilities in active markets at the measurement date.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fair Value Measurements (Continued) –

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model-driven valuations in which all significant inputs or significant value drivers are observable in active markets.

Level 3 (lowest priority) – Management’s best estimate of what market participants would use in pricing the instrument at the measurement date and model-driven valuations which are unobservable and significant to the fair value measurement.

The assessed level is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for amounts measured at fair value:

Level 1 inputs – Descriptions of the valuation methodologies used for assets measured at fair value are as follows: common stocks, corporate bonds, and U.S. government securities valued at the closing price reported on the active market on which the individual securities are traded.

Inventory -

Inventory consists of educational materials and supplies for child safety programs. It is stated at the lower of cost or market by using the first-in, first-out (FIFO) method. The materials are charged to the expense when they are shipped to the sponsoring organizations. Inventory also includes a minimal amount of supplies for the special fundraising activities.

Contributions and Pledges Receivable -

Program representatives obtain pledges from businesses and organizations with the communities who choose to conduct child safety programs utilizing the Organization’s materials and resources in order to support the effort. Contributions are reported as revenue when received. Accordingly, a contribution receivable is recorded at year end for outstanding pledges with an allowance for amounts estimated to be uncollectible. Uncollectible pledges are written off after a reasonable period following the delivery of the child safety program.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the contribution are both reported as unrestricted support. Other restricted contributions are reported as restricted support and net assets with donor restrictions.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Advertising Revenue -

The Organization sells advertisements to businesses through the wholly owned subsidiary, Child Safety of America in support of child safety programs in the designated areas served by the subsidiary company. Revenue is recognized at the time the commitment is made for the advertisement. Any commitments not paid in full at the end of one year are written off by the Organization. As of July 31, 2020, there are no outstanding receivables related to advertising revenue.

Property and Equipment -

Property and equipment are carried at cost. Depreciation is provided using the straight-line method for financial reporting purposes over the estimated useful lives of depreciable assets. Maintenance and repairs that do not improve or extend the useful lives of assets are expensed in the period the cost is incurred.

Intangible Assets -

Intangible Assets pertain to the Organization's development of child safety programs and materials which are copyrighted or trademarked. The capitalized amount is amortized over 15 years to match costs with related revenues.

Special Fundraising -

Special fundraising revenue is the net gain from charitable gaming activities, which is the difference between charitable gaming gross revenues and related charitable gaming payouts.

Functional Allocation of Expenses -

The costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different result.

Shipping and Handling Costs -

Shipping and handling costs are expensed as incurred and included in education publications and materials expense.

Advertising -

The Organization expenses advertising costs as they are incurred. Advertising expense was \$47,845 for the year ended July 31, 2020.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income Taxes -

The Organization, as described in Section 501(c)(3) of the Internal Revenue Code, is exempt from federal and state income taxes. The Organization has adopted the provisions of FASB ASC 740-10. The adoption of FASB ASC 740-10 has not resulted in any changes in tax provisions.

The Organization and Subsidiary's federal income tax returns for a three-year period remain open to examination by the Internal Revenue Service. In evaluating the Organization's tax provisions, the Organization and Subsidiary believe that its estimates are appropriate based on current facts and circumstances.

Subsequent Events -

Management has evaluated subsequent events and transactions for potential recognition or disclosure through June 7, 2021, the date that the financial statements were available to be issued.

On February 19, 2021, the Organization entered into a loan agreement with the Small Business Administration (SBA) (lender County National Bank) for a Second Draw Paycheck Protection Program (PPP) loan for National Child Safety Council. The amount of the loan was \$356,725.

On March 22, 2021, the Organization entered into a loan agreement with the SBA (lender Huntington Bank) for a Second Draw PPP loan for Child Safety of America. The amount of the loan was \$11,220.

The terms of both loans are the same as described for the First Draw PPP loans described in Note 10. The loans are currently in their forgivable period and, as a result, forgiveness has not yet been achieved, but is expected by management.

COVID-19 Pandemic -

The extent of the impact of COVID-19 on the operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on donors, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK:

The Organization maintains cash balances at various financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000. At various times during the fiscal year the Organization's cash balances may have exceeded the federally insured limit. At July 31, 2020, the Organization did not have any cash balances exceeding the federally insured limit.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - FAIR VALUE OF INVESTMENTS:

The fair value of the Organization's investments are all classified as Level 1 investments, according to the Organization's policy described in Note 1.

The following is a breakdown of the change in Level 1 value for the year ended July 31, 2020:

Beginning Level 1 value	\$ 540,229
Investment Income	18,009
Investment Fees	(7,974)
Change in market value	<u>22,315</u>
Ending Level 1 Value	<u>\$ 572,579</u>

The following is a breakdown of the carrying value of the investments by investment type as of July 31, 2020:

Cash and money market accounts	\$ 35,700
Corporate equities	272,784
Mutual funds	182,258
Government securities	52,111
Corporate bonds	<u>29,726</u>
Total	<u>\$ 572,579</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable consists of the following amounts at July 31, 2020:

Contributions receivable	\$ 4,646
Less: Allowance for uncollectible contributions	<u>(744)</u>
Contributions receivable – net	<u>\$ 3,902</u>

Contributions are expected to be collected within one year.

NOTE 5 - DUE FROM RELATED PARTIES:

The following is a summary of amounts due from related parties as of July 31, 2020:

National Drug & Safety League	\$ 4,328
United States Fire Safety Services	<u>18,255</u>
Total due to related parties	<u>\$ 22,583</u>

National Drug & Safety League and United States Fire Safety Services is under common management with the Organization. The unsecured loans have no stated interest or repayment terms.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - INTANGIBLE ASSETS:

The following is a summary of intangible assets at July 31, 2020:

Trademarks	\$ 1,250
Less: Accumulated amortization	<u>(500)</u>
Net intangible assets	<u>\$ 750</u>

Amortization expense for the year ended July 31, 2020, of \$83 is included in the consolidated statement of functional expenses.

NOTE 7 - FIXED ASSETS:

The following is a summary of fixed assets at July 31, 2020:

Land	\$ 68,000
Land improvements	66,470
Buildings	126,135
Building improvements	1,167,737
Machinery and equipment	926,656
Software	121,232
Furniture and fixtures	<u>75,796</u>
Total	2,552,026
Less: Accumulated depreciation	<u>(1,903,758)</u>
Net fixed assets	<u>\$ 648,268</u>

NOTE 8 - DUE TO RELATED PARTIES:

The following is a summary of amounts due to related parties at July 31, 2020:

National Fire Safety Council	<u>\$ 97,455</u>
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National Fire Safety Council is under common management with the Organization and its subsidiary. These unsecured loans have no stated interest or repayment terms.

NOTE 9 - NOTE PAYABLE:

In 2019, the Organization entered into an agreement with Leoni Township to provide access to the Leoni Township sewer system. The total agreement was \$9,363, with a down payment of \$1,000. The remaining \$8,363 is to be paid by special assessment over 10 years, with annual principal payments of \$836, plus interest of 2%. The balance as of July 31, 2020 is \$7,527.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - PAYCHECK PROTECTION PROGRAM:

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted and a key piece of the CARES Act is the PPP. The program was created by the CARES Act to provide small businesses with cash flow assistance through federally guaranteed loans administered through the SBA. Generally, businesses were eligible for up to 2.5 times their average monthly payroll costs for calendar year 2019. Other significant terms of the loans received through the PPP include a fixed interest rate of 1%, maturity date of two years from the date of the agreement, first payment due six months from the date of the agreement (later delayed), and the ability to have a substantial portion of the principal and accrued interest forgiven.

On April 22, 2020, the Organization entered into a loan agreement with the SBA (lender Flagstar Bank) through the PPP for National Child Safety Council. The loan was in the amount of \$357,800.

On May 4, 2020, the Organization entered into a loan agreement with the SBA (lender Flagstar Bank) through the PPP for Child Safety of America. The loan was in the amount of \$10,400.

While expected to be fully forgiven subsequent to year-end, both loans were still outstanding as of July 31, 2020 and have been reported as long-term debt on the financial statements.

NOTE 11 - AVAILABILITY AND LIQUIDITY:

The Organization has \$1,533,869 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, consisting of cash of \$520,084, investments of \$572,579, contributions receivable of \$3,902, other receivables of \$3,235, inventory of \$389,578 and prepaid expenses of \$44,491. The inventory and prepaid expenses will be expended as used during the upcoming year. The receivables are subject to implied time restrictions, but are expected to be collected within one year. \$226,047 of the current financial assets is subject to restrictions that make the funds unavailable for general expenditure within one year of the balance sheet date, however, these funds are expected to be used for charitable gaming expenses as allowed. While the Organization has not adopted a formal, written liquidity plan, it is the goal of the board of directors and management to ensure that the Organization has liquid assets to meet expenses as they become due. Excess cash generated by the Organization has been invested by the Organization in short-term savings accounts and other investment accounts that could be utilized in the event of an unanticipated liquidity need.

NOTE 12 - JOINT COSTS:

The Organization incurs certain expenses (i.e., salaries, employee benefits and taxes, and travel for the field services of safety counselors) that are considered to be joint activity costs pursuant to FASB ASC 958-720. Under this standard, a “joint activity” is an activity that is part of the fundraising function and has elements of one or more other functions, such as program or management and general.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - JOINT COSTS (Continued):

FASB ASC 958-720 established various criteria relating to purpose, audience, and content for the purpose of determining whether the cost of the joint activity should be allocated among functional categories or charged entirely to fundraising. Management believes that the Organization's joint activity meets all of the FASB ASC 958-720 criteria necessary to permit allocation, except for certain considerations regarding compensation for performance of the joint activity. In this instance, the Organization's safety counselors are compensated based on the contributions raised by the joint activity. While this is an integral incentive to promote performance and the Organization has concluded that its safety counselors are spending less than 10 percent of their time on fundraising, FASB ASC 958-720 nonetheless, requires that all costs of the joint activity be charged to fundraising because of the compensation arrangement.

Accordingly, to conform with the generally accepted accounting principles, the Organization has reported the entire cost of the joint activity, which for the year ended July 31, 2020, totaled \$1,086,992 within fundraising expense in the accompanying consolidated statement of activities. If the Organization were allowed to allocate the costs of the joint activity, the distribution of such costs would have been as follows for the year ended July 31, 2020:

Program services	\$ 978,293
Fundraising	108,699
Total	<u>\$ 1,086,992</u>