

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
(A Nonprofit Organization)

JACKSON, MICHIGAN

FINANCIAL STATEMENTS

OCTOBER 31, 2022

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Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of National Fire Safety Council (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of October 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Fire Safety Council and Subsidiary as of October 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of National Fire Safety Council and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Fire Safety Council and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 National Fire Safety Council and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Fire Safety Council and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Willis & Jurasek, P.C.

Jackson, Michigan
September 5, 2023

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2022

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,085,885
Restricted cash	174,725
Investments	751,178
Contributions receivable - net	30,406
Other receivables	818
Inventory	487,303
Prepaid expenses	40,860
Total current assets	<u>2,571,175</u>
OTHER ASSETS:	
Due from related parties	<u>445,114</u>
PROPERTY, PLANT, AND EQUIPMENT:	
Property and equipment - net	<u>704,459</u>
Total assets	<u><u>\$ 3,720,748</u></u>

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable	\$ 116,540
Accrued liabilities	108,542
Accrued income tax	4,474
Notes payable - current portion	4,011
Total current liabilities	<u>233,567</u>
LONG-TERM LIABILITIES:	
Notes payable - net of current portion	<u>8,769</u>
Total long-term liabilities	<u>8,769</u>
Total liabilities	<u>242,336</u>

NET ASSETS

Net assets without donor restrictions	<u>3,478,412</u>
Total liabilities and net assets	<u><u>\$ 3,720,748</u></u>

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

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2022

REVENUES:	
Contributions	\$ 3,620,298
Advertising revenue	172,995
Special fundraising - net	523,950
Rental activities - net	(4,416)
Other income	7,925
	<hr/>
Total revenues	4,320,752
	<hr/>
EXPENSES:	
Program services:	
Fire safety education	1,416,708
Research and development	153,719
Total program services	<hr/> 1,570,427
Supporting services:	
Management and general	475,003
Special fundraising	416,151
Other fundraising	1,796,967
Total support services	<hr/> 2,688,121
	<hr/>
Total expenses	4,258,548
	<hr/>
EXCESS OF REVENUES OR (EXPENSES) - BEFORE OTHER INCOME (EXPENSES)	62,204
OTHER INCOME (EXPENSES):	
Investment income - net	2,502
Unrealized gain (loss) on investments	(142,393)
Gain (loss) on disposal of fixed assets	(180,220)
Income tax expense	(4,476)
Paycheck protection program loan forgiveness	419,722
Total other income (expenses)	<hr/> 95,135
	<hr/>
EXCESS OF REVENUES OR (EXPENSES)	157,339
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	<hr/> 3,321,073
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	<u><u>\$ 3,478,412</u></u>

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

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 157,339
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization expense	38,828
Unrealized (gain) loss on investments	142,393
Investment income reinvested	(883)
(Gain) loss on disposal of fixed assets	180,220
Paycheck protection program loan forgiveness	(419,722)
Change in:	
Contributions receivable - net	6,724
Other receivables	954
Inventory	(50,683)
Prepaid expenses	(17,011)
Accounts payable	(42,844)
Accrued liabilities	7,909
Accrued income tax	4,474
	<hr/>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<hr/> 7,698 <hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(53,833)
Proceeds from sale of fixed assets	109,878
Purchase of investments	(200,000)
Payments received from affiliated organizations - net	(265,563)
	<hr/>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<hr/> (409,518) <hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on long-term debt	(3,889)
	<hr/>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<hr/> (3,889) <hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(405,709)
CASH - BEGINNING	<hr/> 1,666,319 <hr/>
CASH - ENDING	<hr/> <u>\$ 1,260,610</u> <hr/>
SUPPLEMENTAL DISCLOSURE	
Interest paid (net of \$0 capitalized)	\$ 7,088
Income taxes paid	\$ 0
CASH ON THE STATEMENT OF FINANCIAL POSITION SHOWN AS:	
Cash and cash equivalents	\$ 1,085,885
Restricted Cash	\$ 174,725
Total Cash	<hr/> <u>\$ 1,260,610</u> <hr/>

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

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2022

	PROGRAM SERVICES		
	FIRE SAFETY EDUCATION	RESEARCH AND DEVELOPMENT	TOTAL PROGRAM SERVICES
COMPENSATION:			
Salaries	\$ 382,558	\$ 129,992	\$ 512,550
Employee benefits and taxes	74,770	21,527	96,297
Total compensation	457,328	151,519	608,847
OTHER EXPENSES:			
Educational publications and materials	747,942		747,942
Supplies	4,973	2,200	7,173
Travel and company paid expenses	6,299		6,299
Postage and copies	9,045		9,045
Legal and professional	34,632		34,632
Utilities	9,871		9,871
Automobile	3,992		3,992
Telephone	3,192		3,192
Maintenance and repairs	13,467		13,467
Filing fees and licenses	3,174		3,174
Insurance	44,525		44,525
Interest and service charges	3,544		3,544
Contract services	5,311		5,311
Dues and subscriptions			0
Office and equipment rental	9,100		9,100
Data processing expense			0
Conventions and meetings	52,293		52,293
Miscellaneous			0
Property taxes			0
Bingo paper and gaming products			0
Advertising			0
Total expenses before depreciation and amortization	<u>1,408,688</u>	<u>153,719</u>	<u>1,562,407</u>
Depreciation	<u>8,020</u>		<u>8,020</u>
Total expenses	<u>\$ 1,416,708</u>	<u>\$ 153,719</u>	<u>\$ 1,570,427</u>

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

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2022

MANAGEMENT AND GENERAL	SUPPORTING SERVICES			TOTAL EXPENSES
	SPECIAL FUND RAISING	OTHER FUND RAISING	TOTAL SUPPORTING SERVICES	
\$ 201,542	\$ 29,035	\$ 1,258,776	\$ 1,489,353	\$ 2,001,903
40,227	8,289	134,292	182,808	279,105
<u>241,769</u>	<u>37,324</u>	<u>1,393,068</u>	<u>1,672,161</u>	<u>2,281,008</u>
			0	747,942
4,109	49,067	51,529	104,705	111,878
6,299		201,727	208,026	214,325
9,045		110,408	119,453	128,498
34,632	2,242	7,696	44,570	79,202
9,870	13,808	9,870	33,548	43,419
3,993			3,993	7,985
3,192	1,629	3,191	8,012	11,204
13,466	30,017	2,961	46,444	59,911
397	29,100	397	29,894	33,068
22,263			22,263	66,788
3,544			3,544	7,088
5,858	17,661		23,519	28,830
1,658			1,658	1,658
9,100	3,000	14,729	26,829	35,929
87,925			87,925	87,925
11,464			11,464	63,757
655	25,853	1,391	27,899	27,899
784			784	784
	180,528		180,528	180,528
969	17,657		18,626	18,626
<u>470,992</u>	<u>407,886</u>	<u>1,796,967</u>	<u>2,675,845</u>	<u>4,238,252</u>
<u>4,011</u>	<u>8,265</u>		<u>12,276</u>	<u>20,296</u>
<u>\$ 475,003</u>	<u>\$ 416,151</u>	<u>\$ 1,796,967</u>	<u>\$ 2,688,121</u>	<u>\$ 4,258,548</u>

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

NATIONAL FIRE 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 Fire Safety Council, and its wholly-owned subsidiary, United States Fire Safety Services, Inc. (Collectively referred to as the Organization).

National Fire Safety Council is a not-for-profit organization which promotes the importance of fire 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.

United States Fire Safety Services, Inc. (the Subsidiary), the subsidiary of the Organization, is a for-profit corporation, also supporting the promotion of the importance of fire safety through the sale of advertisements to be printed on the fire 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.

Basis of Accounting -

The accompanying financial statements and information are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenditures 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.

Basis of Presentation -

Financial statement presentation follows the standards set by the Financial Accounting Standards Board (FASB). 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:

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Presentation (Continued) -

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported 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 Organization 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 a separate bank account for the 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 October 31, 2022, the amount of restricted cash held by the Organization is \$174,725.

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.

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.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fair Value Measurements (Continued) -

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 fire 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 fire safety programs utilizing the Organization’s materials and resources in order to support the effort. Contributions are reported as revenue when pledged. 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 fire 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.

Advertising Revenue -

The Organization sells advertisements to businesses through the wholly owned subsidiary, United States Fire Safety Services, in support of the fire 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 October 31, 2022, there are no outstanding receivables related to advertising revenue.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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 \$18,626 for the year ended October 31, 2022.

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 September 5, 2023, the date that the financial statements were available to be issued. No significant events were identified that would require adjustment or disclosure in the financial statements.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 October 31, 2022, uninsured cash balances totaled \$540,598.

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 October 31, 2022:

Beginning Level 1 value	\$ 692,688
Purchase of investments	200,000
Investment income	11,182
Investment fees	(10,299)
Change in market value	<u>(142,393)</u>
Ending Level 1 value	<u>\$ 751,178</u>

The following is a breakdown of the carrying value of the investments by investment type as of October 31, 2022:

Cash and money market accounts	\$ 10,762
Stocks	409,282
Exchange traded funds	56,606
Mutual funds	<u>274,528</u>
Total	<u>\$ 751,178</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable consists of the following amounts at October 31, 2022:

Contributions receivable	\$ 31,685
Less: Allowance for uncollectible contributions	<u>(1,279)</u>
Contributions receivable – net	<u>\$ 30,406</u>

Contributions are expected to be collected within one year.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - DUE FROM RELATED PARTIES:

The following is a summary of amounts due from affiliated organizations as of October 31, 2022:

National Drug & Safety League	\$ 191,296
National Child Safety Council	180,926
Child Safety of America	<u>72,892</u>
Total due from related parties	<u>\$ 445,114</u>

The organizations above are all affiliated with the Organization through common management, personnel, and facilities. These loans are unsecured and have no stated interest or repayment terms.

NOTE 6 - FIXED ASSETS:

The following is a summary of fixed assets at October 31, 2022:

Land	\$ 284,333
Land improvements	73,003
Buildings	701,641
Building improvements	88,193
Machinery and equipment	700,197
Software	126,391
Furniture and fixtures	<u>84,465</u>
Total	2,058,223
Less: Accumulated depreciation	<u>1,353,764</u>
Net fixed assets	<u>\$ 704,459</u>

Certain property included above is used by the Organization in its rental activities reported under revenue. Depreciation expense at October 31, 2022, related to that property was \$18,532 and is netted against the related amounts for rental activities. The remaining depreciation of \$20,296 was included in expenses in the consolidated statement of functional expenses.

NOTE 7 - NOTE PAYABLE:

In 2020, the Organization obtained financing for the purchase of a vehicle from County National Bank. The financing was obtained in the amount of \$20,125 payable over 60 months at an interest rate of 2.99%. The outstanding balance at October 31, 2022 is \$12,780.

Scheduled maturities of the note payable for each of the next five years are as follows:

2023	4,011
2024	4,132
2025	4,258
2026	379

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - 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 30, 2020, the Organization entered into a loan agreement with the SBA (lender Flagstar Bank) through the PPP for National Fire Safety Council. The loan was in the amount of \$407,200. On May 5, 2020, the Organization entered into a loan agreement with the SBA (lender Flagstar Bank) through the PPP for United States Fire Safety Services. The loan was in the amount of \$9,200. These loans were both forgiven during the fiscal year ended October 31, 2021, and were reflected on the consolidated statement of activities as other income at that time.

On December 27, 2020, the Consolidated Appropriations Act was enacted and a key piece of the Act is the second round of the Payroll Protection Program (PPP2). The program was created to provide small businesses with cash flow assistance through federally guaranteed loans administered through the SBA. Generally, businesses were eligible for loans up to 2.5 times their average monthly payroll costs for calendar year 2019 or 2020, if they suffered a 25% or more reduction in gross receipts during any calendar quarter in 2020 compared to the same quarter in 2019 or a 25% reduction in gross receipts for 2020 compared to 2019. Entities must also have 300 or less employees. Other significant terms of the loans received through the PPP included a fixed interest rate of 1%, maturity date of five years from the date of the agreement, first payment due twelve months from date of agreement, and the ability to have a substantial portion of the principal and accrued interest forgiven. The debt was unsecured.

On February 5, 2021, the Organization entered into a loan agreement with the SBA (lender County National Bank) through the PPP2 for National Fire Safety Council. The loan was in the amount of \$410,397. On March 26, 2021, the Organization entered into a loan agreement with the SBA (lender Huntington Bank) through the PPP2 for United States Fire Safety Services. The amount of the loan was \$9,325. These loans were both forgiven during the fiscal year ended October 31, 2022, and have been reflected on the consolidated statement of activities as other income.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - AVAILABILITY AND LIQUIDITY:

The Organization has \$2,571,175 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$1,260,610, investments of \$751,178, contributions receivable of \$30,406 other receivables of \$818, inventory of \$487,303 and prepaid expenses of \$40,860. 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. \$174,725 of the remaining 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 11 - 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.

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 October 31, 2022, totaled \$1,470,367, 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 October 31, 2022:

Program services	\$ 1,323,330
Fundraising	<u>147,037</u>
Total	<u>\$ 1,470,367</u>