NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
(A Nonprofit Organization)

JACKSON, MICHIGAN

FINANCIAL STATEMENTS

JULY 31, 2018

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Independent Auditors' Report

To the Board of Directors 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, 2018, 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 auditors' 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.

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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, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Willis & Jurasek, P.C.

May 12, 2019

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JULY 31, 2018

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 764,038
Investments	515,329
Contributions receivable - net	3,444
Other receivables	5,132
Inventory	276,191
Prepaid expenses	56,366
Due from related parties	38,593
Total current assets	1,659,093
OTHER ASSETS:	
Intangible assets - net	917
PROPERTY, PLANT AND EQUIPMENT:	
Property and equipment - net	379,903
Total assets	$ 2,039,913

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable	$ 117,956
Accrued expenses	99,976
Due to related parties	230,076
Total current liabilities	448,008

NET ASSETS

Undesignated, unrestricted	1,591,905
Total liabilities and net assets	$ 2,039,913

(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, 2018

REVENUES:	
Contributions	$ 2,813,887
Advertising revenue	184,669
Special fundraising - net	554,558
Other operating income	1,027
Total revenues	3,554,141
EXPENSES:	
Program services:	
Child safety education	1,147,002
Research and development	122,617
Total program services	1,269,619
Supporting services:	
Management and general	545,543
Special fundraising	390,418
Other fundraising	1,406,186
Total support services	2,342,147
Total expenses	3,611,766
EXCESS OF REVENUES OR (EXPENSES) - BEFORE OTHER INCOME (EXPENSES)	(57,625)
OTHER INCOME (EXPENSES):	
Investment income	19,039
Investment fees	(6,909)
Unrealized gain (loss) on investments	3,190
Insurance proceeds	125,000
Total other income (expenses)	140,320
CHANGE IN NET ASSETS	82,695
NET ASSETS - BEGINNING	1,509,210
NET ASSETS - ENDING	$ 1,591,905

(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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 82,695
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization expense	49,392
Unrealized (gain) loss on investments	(3,190)
Change in:	
Contributions receivable - net	2,788
Other receivables	(4,962)
Inventory	54,311
Prepaid expenses	68,960
Accounts payable	(25,009)
Accrued expenses	15,525
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	240,510
CASH FLOWS FROM INVESTING ACTIVITIES:	
Advances to related parties - net	(23,158)
Purchase of equipment	(127,476)
Net sales (purchases) of investments	(10,718)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(161,352)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments to related parties - net	(189,540)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(189,540)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(110,382)
CASH AND CASH EQUIVALENTS - BEGINNING	874,420
CASH AND CASH EQUIVALENTS - ENDING	$ 764,038
SUPPLEMENTAL DISCLOSURE	
Interest paid (net of $0 capitalized)	$ 1,371

(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, 2018

	PROGRAM SERVICES		
	CHILD SAFETY EDUCATION	RESEARCH AND DEVELOPMENT	TOTAL PROGRAM SERVICES
COMPENSATION:			
Salaries	$ 307,234	$ 103,230	$ 410,464
Employee benefits and taxes	49,626	17,359	66,985
Total compensation	356,860	120,589	477,449
OTHER EXPENSES:			
Educational publications and materials	524,479		524,479
Supplies	20,893	1,945	22,838
Travel and company paid expenses	7,013		7,013
Postage and copies			
Legal and professional	37,876		37,876
Utilities	8,871		8,871
Automobile	2,574		2,574
Telephone	3,962		3,962
Maintenance and repairs	8,981		8,981
Filing fees and licenses	4,960		4,960
Insurance	78,186		78,186
Interest	2,514		2,514
Contract services	8,378		8,378
Dues and subscriptions			
Office and equipment rental	12,084		12,084
Data processing expense			
Conventions and meetings	58,797		58,797
Miscellaneous			
Property taxes			
Bingo paper and gaming products			
Advertising	57		57
Total expenses before depreciation and amortization	1,136,485	122,534	1,259,019
Depreciation	10,517		10,517
Amortization of copyrights		83	83
Total expenses	$1,147,002	$ 122,617	$ 1,269,619

(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, 2018

SUPPORTING SERVICES				
MANAGEMENT AND GENERAL	SPECIAL FUND RAISING	OTHER FUND RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
$ 169,764	$ 11,790	$ 935,303	$ 1,116,857	$ 1,527,321
27,774	2,238	80,979	110,991	177,976
197,538	14,028	1,016,282	1,227,848	1,705,297
				524,479
6,064	55,055	16,213	77,332	100,170
7,014		243,266	250,280	257,293
1,962		96,757	98,719	98,719
37,876	2,540	8,416	48,832	86,708
8,871		8,871	17,742	26,613
2,574			2,574	5,148
3,961		3,961	7,922	11,884
114,080		1,597	115,677	124,658
620	26,050	620	27,290	32,250
39,093			39,093	117,279
2,513			2,513	5,027
8,759	29,751		38,510	46,888
2,773			2,773	2,773
8,484	71,500	10,203	90,187	102,271
52,409			52,409	52,409
11,388			11,388	70,185
699	27,480		28,179	28,179
17			17	17
	107,173		107,173	107,173
56	56,841		56,897	56,954
506,751	390,418	1,406,186	2,303,355	3,562,374
38,792			38,792	49,309
				83
$ 545,543	$ 390,418	$ 1,406,186	$ 2,342,147	$ 3,611,766

(The accompanying notes are an integral part of these 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.

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.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Not-for-Profit Organizations (FASB ASC 958-205). Under FASB ASC 958-205 the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

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.

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.

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

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, 2018, the amount of restricted cash held by the Organization is $307,740.

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 temporarily or permanently restricted net assets.

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.

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

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.

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. There are no known federal or state tax contingencies. The Internal Revenue Service also requires a not-for-profit organization to file a 990-T Exempt Organization Business Income Tax Return, a tax return for unrelated business revenues in excess of $1,000. The Organization receives unrelated revenue from rental income and is therefore required to file a 990-T.

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 May 12, 2019, 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.

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, 2018, uninsured cash balances totaled $35,161.

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, 2018:

NOTE 3 - FAIR VALUE OF INVESTMENTS (Continued):

Beginning Level 1 value	$ 501,421
Interest and Dividends	17,627
Investment Fees	(6,909)
Change in market value	3,190
Ending Level 1 Value	$ 515,329

The following is a breakdown of the carrying value of the investments by investment type as of July 31, 2018:

Cash and money market accounts	$ 16,721
Corporate equities	253,420
Mutual funds	171,394
Government securities	46,953
Corporate bonds	26,841
Total	$ 515,329

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable consists of the following amounts at July 31, 2018:

Contributions receivable	$ 4,279
Less: Allowance for uncollectible contributions	(835)
Contributions receivable – net	$ 3,444

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, 2018:

United States Fire Safety Services	$ 38,593

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

NOTE 6 - INTANGIBLE ASSETS:

The following is a summary of intangible assets at July 31, 2018:

Copyrights	$ 835,812
Trademarks	64,504
Total	900,316
Less: Accumulated amortization	(899,399)
Net intangible assets	$ 917

Amortization expense for the year ended July 31, 2018, 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, 2018:

Land	$ 68,000
Land improvements	66,470
Buildings	126,135
Building improvements	773,483
Machinery and equipment	926,656
Software	121,232
Furniture and fixtures	75,796
Total	2,157,772
Less: Accumulated depreciation	(1,777,869)
Net fixed assets	$ 379,903

NOTE 8 - DUE TO RELATED PARTIES:

The following is a summary of amounts due to related parties at July 31, 2018:

National Fire Safety Council	$ 170,742
National Drug and Safety League	39,491
Harley Kaufman (President)	19,843
Total due to related parties	$ 230,076

National Fire Safety Council, National Drug and Safety League and United States Fire Safety Services are all under common management with the Organization and its subsidiary. These unsecured loans have no stated interest or repayment terms.

NOTE 9 - INSURANCE SETTLEMENT:

During May 2018, the Organization's offices suffered damage due to a roof collapse, resulting in damage to the building and inventory. The total of the expected costs as a result of the damage is $529,376, with $524,376 expected to be reimbursed by the Organization's insurance company. As of July 31, 2018, $125,000 of insurance proceeds have been received by the organization, with the remaining $399,376 to be received during the fiscal year ended July 31, 2019 as repair and replacement costs are incurred.

NOTE 10 - 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.

NOTE 10 - 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, 2018, totaled $1,182,125 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, 2018:

Program services	$ 1,063,913
Fundraising	118,212
Total	$ 1,182,125