

*NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY*  
(A Nonprofit Organization)

JACKSON, MICHIGAN

FINANCIAL STATEMENTS

JULY 31, 2022

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## **Independent Auditors' Report**

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

### **Opinion**

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, 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 Child Safety Council and Subsidiary as of July 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 Child 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 Child 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 Child 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 Child 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 & Turasek, P.C.*

Jackson, Michigan  
June 6, 2023

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JULY 31, 2022

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 491,124
Restricted cash	383,181
Investments	815,891
Contributions receivable - net	209
Other receivables	1,834
Inventory	325,734
Prepaid expenses	84,214
Total current assets	2,102,187

OTHER ASSETS:

Due from related parties	66,260
Intangible assets - net	583
Total other assets	66,843

PROPERTY, PLANT AND EQUIPMENT:

Property and equipment - net	634,071
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Total assets	\$ 2,803,101
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 90,929
Accrued expenses	95,126
Notes payable - current portion	836
Total current liabilities	186,891

LONG-TERM LIABILITIES:

Notes payable - net of current portion	5,854
Due to related parties	266,815
Total long-term liabilities	272,669

Total liabilities	459,560
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NET ASSETS

Net assets without donor restrictions	2,343,541
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Total liabilities and net assets	\$ 2,803,101
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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, 2022

REVENUES:	
Contributions	\$ 3,295,140
Advertising revenue	151,944
Special fundraising - net	627,379
Other operating income	<u>3,843</u>
Total revenues	<u>4,078,306</u>
EXPENSES:	
Program services:	
Child safety education	1,282,143
Research and development	<u>136,913</u>
Total program services	<u>1,419,056</u>
Supporting services:	
Management and general	439,315
Special fundraising	446,061
Other fundraising	<u>1,676,747</u>
Total support services	<u>2,562,123</u>
Total expenses	<u>3,981,179</u>
EXCESS OF REVENUES OR (EXPENSES) - BEFORE OTHER INCOME (EXPENSES)	97,127
OTHER INCOME (EXPENSES):	
Investment income (loss) - net	(11,938)
Unrealized gain (loss) on investments	(56,081)
Paycheck protection program loan forgiveness	<u>367,945</u>
Total other income (expenses)	<u>299,926</u>
CHANGE IN NET ASSETS	397,053
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	<u>1,946,488</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	<u><u>\$ 2,343,541</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 397,053
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization expense	24,302
Unrealized (gain) loss on investments	56,081
Realized investment income (loss) - net	12,068
Paycheck protection program loan forgiveness	(367,945)
Change in:	
Contributions receivable - net	2,559
Other receivables	1,726
Inventory	(12,951)
Prepaid expenses	(47,961)
Accounts payable	33,441
Accrued expenses	15,691
	<u>114,064</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
	<u>114,064</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(200,000)
Purchase of fixed assets	(26,256)
Loans to related parties - net	(39,202)
	<u>(265,458)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	
	<u>(265,458)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds received from related parties - net	240,484
	<u>240,484</u>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	
	<u>240,484</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
	89,090
CASH AND CASH EQUIVALENTS - BEGINNING	<u>785,215</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 874,305</u></u>
SUPPLEMENTAL DISCLOSURE	
Interest paid (net of \$0 capitalized)	\$ 8,799
CASH ON THE STATEMENT OF FINANCIAL POSITION SHOWN AS:	
Cash and cash equivalents	\$ 491,124
Restricted cash	383,181
Total cash	<u><u>\$ 874,305</u></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, 2022

	PROGRAM SERVICES		
	CHILD SAFETY EDUCATION	RESEARCH AND DEVELOPMENT	TOTAL PROGRAM SERVICES
<b>COMPENSATION:</b>			
Salaries	\$ 318,250	\$ 112,361	\$ 430,611
Employee benefits and taxes	61,988	22,656	84,644
Total compensation	<u>380,238</u>	<u>135,017</u>	<u>515,255</u>
<b>OTHER EXPENSES:</b>			
Educational publications and materials	635,851		635,851
Supplies	18,674	1,813	20,487
Travel and company paid expenses	8,891		8,891
Postage and copies			
Legal and professional	45,908		45,908
Utilities	8,716		8,716
Automobile	3,147		3,147
Telephone	3,090		3,090
Maintenance and repairs	13,654		13,654
Filing fees and licenses	6,798		6,798
Insurance	57,768		57,768
Interest and service charges	4,400		4,400
Contract services	2,065		2,065
Dues and subscriptions			
Office and equipment rental	7,470		7,470
Data processing expense			
Conventions and meetings	68,684		68,684
Miscellaneous			
Property taxes			
Bingo paper and gaming products			
Advertising	669		669
Total expenses before depreciation and amortization	<u>1,266,023</u>	<u>136,830</u>	<u>1,402,853</u>
Depreciation	16,120		16,120
Amortization of copyrights		83	83
Total expenses	<u>\$ 1,282,143</u>	<u>\$ 136,913</u>	<u>\$ 1,419,056</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, 2022

SUPPORTING SERVICES				
MANAGEMENT AND GENERAL	SPECIAL FUND RAISING	OTHER FUND RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
\$ 173,180	\$ 18,993	\$ 1,071,235	\$ 1,263,408	\$ 1,694,019
33,813	3,590	119,850	157,253	241,897
<u>206,993</u>	<u>22,583</u>	<u>1,191,085</u>	<u>1,420,661</u>	<u>1,935,916</u>
				635,851
3,875	45,683	31,474	81,032	101,519
8,890		288,157	297,047	305,938
16,038		124,554	140,592	140,592
45,909	2,939	10,201	59,049	104,957
8,716		8,716	17,432	26,148
3,147			3,147	6,294
3,090		3,089	6,179	9,269
13,654		6,510	20,164	33,818
850	26,125	850	27,825	34,623
28,884			28,884	86,652
4,399			4,399	8,799
2,623	23,394		26,017	28,082
1,124			1,124	1,124
7,471	84,850	12,111	104,432	111,902
71,961			71,961	71,961
59			59	68,743
1,481	24,773		26,254	26,254
1,384			1,384	1,384
	210,229		210,229	210,229
668	5,485		6,153	6,822
<u>431,216</u>	<u>446,061</u>	<u>1,676,747</u>	<u>2,554,024</u>	<u>3,956,877</u>
8,099			8,099	24,219
				<u>83</u>
<u>\$ 439,315</u>	<u>\$ 446,061</u>	<u>\$ 1,676,747</u>	<u>\$ 2,562,123</u>	<u>\$ 3,981,179</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.

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 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 CHILD SAFETY COUNCIL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Presentation (Continued) -

- *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, 2022, the amount of restricted cash held by the Organization is \$383,181.

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.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fair Value Measurements (Continued) –

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, exchange traded funds and mutual funds 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.

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, 2022, there are no outstanding receivables related to advertising revenue.

NATIONAL CHILD 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.

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 \$6,822 for the year ended July 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.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Subsequent Events -

Management has evaluated subsequent events and transactions for potential recognition or disclosure through June 6, 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.

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, 2022, uninsured cash balances totaled \$182,646.

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, 2022:

Beginning Level 1 value	\$ 684,040
Purchase of investments	200,000
Investment Income (loss) - net	(1,963)
Investment Fees	(10,105)
Change in market value	<u>(56,081)</u>
Ending Level 1 Value	<u>\$ 815,891</u>

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

Cash and money market accounts	\$ 7,214
Stocks	459,157
Exchange traded funds	61,542
Mutual funds	<u>287,978</u>
Total	<u>\$ 815,891</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

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

Contributions receivable	\$ 1,072
Less: Allowance for uncollectible contributions	<u>(863)</u>
Contributions receivable – net	<u>\$ 209</u>

Contributions are expected to be collected within one year.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - DUE FROM RELATED PARTIES:

The following is a summary of amounts due from related parties as of July 31, 2022:

National Drug & Safety League	\$ 47,998
United States Fire Safety Services	<u>18,262</u>
Total due to related parties	<u>\$ 66,260</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.

NOTE 6 - INTANGIBLE ASSETS:

The following is a summary of intangible assets at July 31, 2022:

Trademarks	\$ 1,250
Less: Accumulated amortization	<u>(667)</u>
Net intangible assets	<u>\$ 583</u>

Amortization expense for the year ended July 31, 2022, 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, 2022:

Land	\$ 68,000
Land improvements	66,470
Buildings	126,135
Building improvements	1,185,430
Machinery and equipment	940,654
Software	121,232
Furniture and fixtures	<u>75,796</u>
Total	2,583,717
Less: Accumulated depreciation	<u>(1,949,646)</u>
Net fixed assets	<u>\$ 634,071</u>

NOTE 8 - DUE TO RELATED PARTIES:

The following is a summary of amounts due to related parties at July 31, 2022:

National Fire Safety Council	<u>\$ 266,815</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.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2022 is \$6,690.

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. These loans were both forgiven during the fiscal year ended July 31, 2021 and were reflected on the consolidated statement of activities as other income at that time.

On February 19, 2021, the Organization entered into a second draw loan agreement with the SBA (lender County National Bank) through the PPP for National Child Safety Council. The loan was in the amount of \$356,725. On March 22, 2021, the Organization entered into a second draw loan agreement with the SBA (lender County National Bank) through the PPP for Child Safety of America. The loan was in the amount of \$11,220. These loans were both forgiven during the fiscal year ended July 31, 2022 and have been reflected on the consolidated statement of activities as other income.

NOTE 11 - AVAILABILITY AND LIQUIDITY:

The Organization has \$2,102,187 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, consisting of cash of \$874,305, investments of \$815,891, contributions receivable of \$209, other receivables of \$1,834, inventory of \$325,734 and prepaid expenses of \$84,214. 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. \$383,181 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.



NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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, 2022, totaled \$1,376,714 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, 2022:

Program services	\$ 1,239,043
Fundraising	137,671
Total	<u>\$ 1,376,714</u>