

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
(A Nonprofit Organization)

JACKSON, MICHIGAN

FINANCIAL STATEMENTS

JULY 31, 2021

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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, 2021, 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, 2021, 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 10, 2022

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JULY 31, 2021

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 431,797
Restricted cash	353,418
Investments	684,040
Contributions receivable - net	2,768
Other receivables	3,560
Inventory	312,783
Prepaid expenses	36,253
Total current assets	1,824,619

OTHER ASSETS:

Due from related parties	27,058
Intangible assets - net	667
Total other assets	27,725

PROPERTY, PLANT AND EQUIPMENT:

Property and equipment - net	632,033
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Total assets	\$ 2,484,377
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 57,488
Accrued expenses	79,435
Notes payable - current portion	836
Total current liabilities	137,759

LONG-TERM LIABILITIES

Notes payable - net of current portion	373,799
Due to related parties	26,331
Total long-term liabilities	400,130

Total liabilities	537,889
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NET ASSETS

Net assets without donor restrictions	1,946,488
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Total liabilities and net assets	\$ 2,484,377
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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, 2021

REVENUES:	
Contributions	\$ 2,485,494
Advertising revenue	95,247
Special fundraising - net	545,246
Other operating income	622
Total revenues	<u>3,126,609</u>
EXPENSES:	
Program services:	
Child safety education	982,969
Research and development	128,080
Total program services	<u>1,111,049</u>
Supporting services:	
Management and general	459,772
Special fundraising	363,468
Other fundraising	1,310,535
Total support services	<u>2,133,775</u>
Total expenses	<u>3,244,824</u>
EXCESS OF REVENUES OR (EXPENSES) - BEFORE OTHER INCOME (EXPENSES)	(118,215)
OTHER INCOME (EXPENSES):	
Investment income (loss) - net	2,805
Unrealized gain (loss) on investments	108,803
Paycheck protection program loan forgiveness	369,205
Total other income (expenses)	<u>480,813</u>
CHANGE IN NET ASSETS	362,598
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	<u>1,583,890</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	<u>\$ 1,946,488</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 362,598
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization expense	31,180
Unrealized (gain) loss on investments	(108,803)
Investment income reinvested - net	(2,658)
Paycheck protection program loan forgiveness	(369,205)
Change in:	
Contributions receivable - net	1,134
Other receivables	(325)
Inventory	76,795
Prepaid expenses	8,238
Accounts payable	(5,500)
Accrued expenses	(4,970)
	<hr/>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<hr/> (11,516)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(14,863)
Loans to related parties - net	(4,475)
	<hr/>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<hr/> (19,338)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from Paycheck Protection Program	367,945
Principal payments on notes payable	(836)
Repayments to related parties - net	(71,124)
	<hr/>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<hr/> 295,985
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	265,131
CASH AND CASH EQUIVALENTS - BEGINNING	<hr/> 520,084
CASH AND CASH EQUIVALENTS - ENDING	<hr/> <u>\$ 785,215</u>
SUPPLEMENTAL DISCLOSURE	
Interest paid (net of \$0 capitalized)	\$ 3,947
CASH ON THE STATEMENT OF FINANCIAL POSITION SHOWN AS:	
Cash and cash equivalents	\$ 431,797
Restricted cash	353,418
Total cash	<hr/> <u>\$ 785,215</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, 2021

	PROGRAM SERVICES		
	CHILD SAFETY EDUCATION	RESEARCH AND DEVELOPMENT	TOTAL PROGRAM SERVICES
COMPENSATION:			
Salaries	\$ 299,169	\$ 106,999	\$ 406,168
Employee benefits and taxes	59,773	20,360	80,133
Total compensation	358,942	127,359	486,301
OTHER EXPENSES:			
Educational publications and materials	409,288		409,288
Supplies	14,469	638	15,107
Travel and company paid expenses	2,294		2,294
Postage and copies			
Legal and professional	45,394		45,394
Utilities	7,828		7,828
Automobile	3,209		3,209
Telephone	3,401		3,401
Maintenance and repairs	8,240		8,240
Filing fees and licenses	3,600		3,600
Insurance	62,011		62,011
Interest and service charges	1,974		1,974
Contract services	2,182		2,182
Dues and subscriptions			
Office and equipment rental	6,877		6,877
Data processing expense			
Conventions and meetings	37,378		37,378
Miscellaneous			
Property taxes			
Bingo paper and gaming products			
Advertising	95		95
Total expenses before depreciation and amortization	<u>967,182</u>	<u>127,997</u>	<u>1,095,179</u>
Depreciation	15,787		15,787
Amortization of copyrights		83	83
Total expenses	<u>\$ 982,969</u>	<u>\$ 128,080</u>	<u>\$ 1,111,049</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, 2021

MANAGEMENT AND GENERAL	SUPPORTING SERVICES		TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
	SPECIAL FUND RAISING	OTHER FUND RAISING		
\$ 178,752	\$ 5,738	\$ 855,353	\$ 1,039,843	\$ 1,446,011
34,636	639	93,780	129,055	209,188
<u>213,388</u>	<u>6,377</u>	<u>949,133</u>	<u>1,168,898</u>	<u>1,655,199</u>
				409,288
2,553	42,339	19,193	64,085	79,192
2,294		218,548	220,842	223,136
11,624		85,127	96,751	96,751
45,394	3,131	10,086	58,611	104,005
7,828		7,827	15,655	23,483
3,209			3,209	6,418
3,401		3,400	6,801	10,202
8,241		17	8,258	16,498
450	24,075	450	24,975	28,575
31,005			31,005	93,016
1,973			1,973	3,947
2,203	32,838		35,041	37,223
1,664			1,664	1,664
6,878	72,100	16,754	95,732	102,609
101,031			101,031	101,031
				37,378
1,207	32,726		33,933	33,933
24			24	24
	135,791		135,791	135,791
95	14,091		14,186	14,281
<u>444,462</u>	<u>363,468</u>	<u>1,310,535</u>	<u>2,118,465</u>	<u>3,213,644</u>
15,310			15,310	31,097
				<u>83</u>
<u>\$ 459,772</u>	<u>\$ 363,468</u>	<u>\$ 1,310,535</u>	<u>\$ 2,133,775</u>	<u>\$ 3,244,824</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). 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:

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, 2021, the amount of restricted cash held by the Organization is \$353,418.

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, 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.

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, 2021, 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 \$14,281 for the year ended July 31, 2021.

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 10, 2022, 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.

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, 2021, uninsured cash balances totaled \$175,508.

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, 2021:

Beginning Level 1 value	\$ 572,579
Investment Income	11,822
Investment Fees	(9,164)
Change in market value	<u>108,803</u>
Ending Level 1 Value	<u>\$ 684,040</u>

The following is a breakdown of the carrying value of the investments by investment type as of July 31, 2021:

Cash and money market accounts	\$ 5,126
Corporate equities	388,219
Mutual funds	205,644
Government securities	58,469
Corporate bonds	<u>26,582</u>
Total	<u>\$ 684,040</u>

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable consists of the following amounts at July 31, 2021:

Contributions receivable	\$ 6,240
Less: Allowance for uncollectible contributions	<u>(3,472)</u>
Contributions receivable – net	<u>\$ 2,768</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, 2021:

National Drug & Safety League	\$ 14,303
United States Fire Safety Services	<u>12,755</u>
Total due to related parties	<u>\$ 27,058</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, 2021:

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

Amortization expense for the year ended July 31, 2021, 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, 2021:

Land	\$ 68,000
Land improvements	66,470
Buildings	126,135
Building improvements	1,177,615
Machinery and equipment	931,641
Software	121,232
Furniture and fixtures	<u>75,796</u>
Total	2,566,889
Less: Accumulated depreciation	<u>(1,934,856)</u>
Net fixed assets	<u>\$ 632,033</u>

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - DUE TO RELATED PARTIES:

The following is a summary of amounts due to related parties at July 31, 2021:

National Fire Safety Council	<u>\$ 26,331</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, 2021 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 and have been reflected on the consolidated statement activities as other income.

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. While expected to be fully forgiven subsequent to year-end, both loans were still outstanding as of July 31, 2021 and have been reported as long-term debt on the financial statements.

NATIONAL CHILD SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - AVAILABILITY AND LIQUIDITY:

The Organization has \$1,824,619 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, consisting of cash of \$785,215, investments of \$684,040, contributions receivable of \$2,768, other receivables of \$3,560, inventory of \$312,783 and prepaid expenses of \$36,253. 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. \$353,418 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.

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, 2021, totaled \$1,086,072 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, 2021:

Program services	\$ 977,465
Fundraising	108,607
Total	<u>\$ 1,086,072</u>