

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
(A Nonprofit Organization)

JACKSON, MICHIGAN

FINANCIAL STATEMENTS

OCTOBER 31, 2015



Certified Public Accountants ♦ A Professional Corporation

"Trusted Service for a Confident Tomorrow"

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
National Fire Safety Council and Subsidiary
PO Box 1368
Jackson, MI 49204

We have audited the accompanying consolidated financial statements of NATIONAL FIRE SAFETY COUNCIL (the Council) and Subsidiary, which comprise of the consolidated statement of financial position as of October 31, 2015, and the related consolidated statement of activities, consolidated statement of cash flows, and the consolidated statement of functional expenses for the year then ended, and the related notes to the financials.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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 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 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 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, 2015, 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.

Respectfully submitted,

Lally Group, PC

Jackson, Michigan

January 8, 2016

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
(A Nonprofit Organization)
JACKSON, MICHIGAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2015

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 499,592
Contributions receivable - net	28,769
Other receivables	2,355
Inventory	159,335
Prepaid expenses	39,941
Total current assets	729,992
OTHER ASSETS:	
Due from other organizations	463,514
PROPERTY, PLANT, AND EQUIPMENT:	
Property and equipment - net	1,073,184
Total assets	\$ 2,266,690

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable	\$ 119,553
Accrued liabilities	106,738
Notes payable	24,965
Installment contract payable - short term	6,454
Total current liabilities	257,710
LONG-TERM LIABILITIES	
Installment contract payable - long term	23,784
Total liabilities	281,494

NET ASSETS

Undesignated	942,250
Net investment in property and equipment	1,042,946
Total net assets	1,985,196
Total liabilities and net assets	\$ 2,266,690

(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, 2015

REVENUES:	
Contributions	\$ 2,984,713
Special fundraising - net	441,190
Rental activities - net	(25,130)
Other income	13,981
	<hr/>
Total revenues	3,414,754
EXPENSES:	
Program services:	
Fire safety education	1,277,283
Research and development	105,233
	<hr/>
Total program services	1,382,516
Supporting services:	
Management and general	327,722
Special fundraising	393,802
Other fundraising	1,425,680
	<hr/>
Total support services	2,147,204
	<hr/>
Total expenses	3,529,720
EXCESS OF REVENUES OR (EXPENSES) - BEFORE OTHER INCOME (EXPENSES)	(114,966)
OTHER INCOME (EXPENSES):	
Loss on note receivable	<hr/> (114,450)
EXCESS OF REVENUES OR (EXPENSES)	(229,416)
NET ASSETS - BEGINNING	<hr/> 2,214,612
NET ASSETS - ENDING	<hr/> <u>\$ 1,985,196</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (229,416)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization expense	48,203
Loss on note receivable	114,450
Contributions receivable - net	5,937
Other receivables	(848)
Inventory	(9,222)
Prepaid expenses	(14,600)
Accounts payable	27,923
Accrued liabilities	19,723
	<hr/>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<hr/> (37,850) <hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	0
Amount loaned to affiliated organizations - net	227,515
	<hr/>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<hr/> 227,515 <hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable	0
Payments on installment contracts	(5,959)
	<hr/>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<hr/> (5,959) <hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	183,706
CASH AND CASH EQUIVALENTS - BEGINNING	<hr/> 315,886 <hr/>
CASH AND CASH EQUIVALENTS - ENDING	<hr/> <u>\$ 499,592</u> <hr/>
SUPPLEMENTAL DISCLOSURE	
Interest paid (net of \$0 capitalized)	\$ 4,806
Income taxes paid	\$ 0

(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, 2015

	PROGRAM SERVICES		
	FIRE SAFETY EDUCATION	RESEARCH AND DEVELOPMENT	TOTAL PROGRAM SERVICES
COMPENSATION:			
Salaries	\$ 352,251	\$ 96,731	\$ 448,982
Employee benefits and taxes	65,780	6,757	72,537
Total compensation	418,031	103,488	521,519
OTHER EXPENSES:			
Educational publications and materials	683,255		683,255
Contributions	1,425		1,425
Stationery and supplies	7,823	69	7,892
Travel			0
Postage			0
Legal, accounting and professional	6,627	921	7,548
Utilities	932		932
Automobile	2,915		2,915
Telephone	2,451		2,451
Maintenance and repairs	18,399		18,399
Hiring and training	4,506		4,506
Insurance	82,862		82,862
Interest	2,125		2,125
Contract services	1,851		1,851
Dues and subscriptions			0
Filing fees and licenses	3,074		3,074
Data processing and office machines	12,797		12,797
Conventions and meeting	5,381		5,381
Miscellaneous		755	755
Property taxes and gaming taxes	1,064		1,064
Bingo paper and gaming products			0
Total expenses before depreciation	1,255,518	105,233	1,360,751
Depreciation	21,765		21,765
Total expenses	\$ 1,277,283	\$ 105,233	\$ 1,382,516

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

SUPPORTING SERVICES				
MANAGEMENT AND GENERAL	SPECIAL FUND RAISING	OTHER FUND RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
\$ 205,086	\$	\$ 921,571	\$ 1,126,657	\$ 1,575,639
14,525		82,113	96,638	169,175
<u>219,611</u>	<u>0</u>	<u>1,003,684</u>	<u>1,223,295</u>	<u>1,744,814</u>
			0	683,255
			0	1,425
5,854	11,524		17,378	25,270
		369,227	369,227	369,227
2,938		37,967	40,905	40,905
6,627	1,250	6,627	14,504	22,052
466	17,655		18,121	19,053
1,458			1,458	4,373
2,451	4,056	2,451	8,958	11,409
9,200	33,846		43,046	61,445
			0	4,506
31,736			31,736	114,598
2,680			2,680	4,805
	36,978		36,978	38,829
681		1,361	2,042	2,042
384	24,026	358	24,768	27,842
43,636			43,636	56,433
			0	5,381
	87,278		87,278	88,033
			0	1,064
	169,426		169,426	169,426
<u>327,722</u>	<u>386,039</u>	<u>1,421,675</u>	<u>2,135,436</u>	<u>3,496,187</u>
	<u>7,763</u>	<u>4,005</u>	<u>11,768</u>	<u>33,533</u>
<u>\$ 327,722</u>	<u>\$ 393,802</u>	<u>\$ 1,425,680</u>	<u>\$ 2,147,204</u>	<u>\$ 3,529,720</u>

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

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities -

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY (the "Council") is a not-for-profit organization which promotes the importance of fire safety to adults and children across the country. The Council 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.

The Council 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 Council also shares common board members with the board of directors of National Child Safety Council.

Basis of Accounting -

The consolidated financial statements of the Council 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.

Cash and Cash Equivalents -

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

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 Council 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.

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.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

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

Contributions and Pledges Receivable -

Program representatives obtain pledges from businesses and organizations with the communities who choose to conduct fire safety programs utilizing the Council'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 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 temporarily or permanently restricted net assets.

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.

Income Taxes -

The Council, as described in Section 501(c)(3) of the Internal Revenue Code, is exempt from federal and state income taxes. In addition, the Internal Revenue Service has determined the Council is not a "Private Foundation" within the meaning of Section 509(a)(1) of the Internal Revenue Code. The Council 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 Council receives unrelated revenue from rental income and is therefore required to file a 990-T.

The Council and Subsidiary's federal income tax returns for 2014 and 2013 remain open to examination by the Internal Revenue Service. In evaluating the Council's tax provisions, the Council and Subsidiary believe that its estimates are appropriate based on current facts and circumstances.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FIXED ASSETS:

Property and equipment purchases are recorded at cost. Depreciation is provided using the straight-line and accelerated methods over estimated useful lives. Costs of and repairs are charged to the expense when incurred.

The following is a summary of fixed assets:

	<u>2015</u>
Land	\$ 294,334
Land improvements	30,000
Buildings	798,891
Building improvements	767,174
Machinery and equipment	635,326
Furniture and fixtures	<u>84,465</u>
Total	2,610,190
Less: Accumulated depreciation	<u>1,537,006</u>
Net fixed assets	<u>\$ 1,073,184</u>

Certain property included above is used by the Council in its rental activities reported under revenue. Depreciation expense at October 31, 2015, related to that property was \$14,670 and netted against the related amounts for rental activities. The remaining depreciation of \$33,533 was included in expenses in the consolidated statement of functional expenses.

NOTE 3 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable consists of the following amounts at October 31, 2015:

Contributions receivable	\$ 41,385
Less: Allowance for uncollectible contributions	<u>12,616)</u>
Contributions receivable – net	<u>\$ 28,769</u>

Contributions are expected to be collected within one year.

NOTE 4 - DUE FROM OTHER ORGANIZATIONS:

The following is a summary of amounts due from affiliated organizations as of October 31, 2015:

National Child Safety Council	\$ 448,354
National Drug & Safety League	13,560
Child Safety of America	<u>1,600</u>
Total due from related parties	<u>\$ 463,514</u>

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - DUE FROM OTHER ORGANIZATIONS (Continued):

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

NOTE 5 - DUE TO FOUNDER:

The Council has borrowed \$24,965 from its founder, H.R. Wilkinson, as of October 31, 2015. This loan is unsecured and has no stated interest or repayment terms.

NOTE 6 - INSTALLMENT CONTRACT PAYABLE:

In 2005, the Council entered into a contract with an individual for the sale of land. The total contract amount was \$85,000 with a down payment of \$10,000. The remaining \$75,000 is to be paid over 15 years, with monthly principal and interest payments of \$720 at an interest rate of 8 percent. The final payment is due by February 25, 2020.

Principal payments for the five subsequent years ended October 31 and thereafter are as follows:

2016	\$ 6,454
2017	6,990
2018	7,570
2019	8,198
2020	1,025
	<u>\$ 30,237</u>

NOTE 7 - JOINT COSTS:

The Council 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 Council'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 Council'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 Council has conducted studies which

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - JOINT COSTS (Continued):

document that its safety counselors are spending less than 25 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 Council has reported the entire cost of the joint activity, which for the year ended October 31, 2015, totaled \$1,138,055, within fundraising expense in the accompanying consolidated statement of activities. If the Council 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, 2015:

Program services	\$ 853,541
Fundraising	284,514
Total	<u>\$ 1,138,055</u>

NOTE 8 - LOSS ON NOTE RECEIVABLE

The Council loaned funds to Environment & Wildlife Protection in order to purchase land including wildlife protected wetlands. The Council recognized a note receivable from Environment & Wildlife Protection. During the year ended October 31, 2015, Environment & Wildlife Protection sold the land and remitted the funds from the sale to the Council. The funds received from the land sale were less than the balance of the note receivable. The Council recognized a loss on note receivable of \$114,450.

NOTE 9 - SUBSEQUENT EVENTS:

Management has evaluated subsequent events and transactions for potential recognition or disclosure through January 8, 2016, 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.