NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
(A Nonprofit Organization)

JACKSON, MICHIGAN

FINANCIAL STATEMENTS

OCTOBER 31, 2020

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of National Fire Safety Council (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of October 31, 2020, 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.

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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 Fire Safety Council and Subsidiary as of October 31, 2020, 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 & Jurasek, P.C.

July 26, 2021

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2020

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 758,432
Restricted cash	183,361
Investments	562,833
Contributions receivable - net	12,311
Other receivables	2,255
Inventory	433,117
Prepaid expenses	34,209
Total current assets	1,986,518
OTHER ASSETS:	
Due from related parties	199,676
PROPERTY, PLANT, AND EQUIPMENT:	
Property and equipment - net	984,825
Total assets	$ 3,171,019
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	$ 105,706
Accrued liabilities	110,949
Total current liabilities	216,655
LONG-TERM LIABILITIES:	
Notes payable - net of current portion	416,400
Total liabilities	633,055
NET ASSETS	
Net assets without donor restrictions	2,537,964
Total liabilities and net assets	$ 3,171,019

(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, 2020

REVENUES:	
Contributions	$ 2,850,449
Advertising revenue	131,520
Special fundraising - net	378,589
Rental activities - net	(24,758)
Other income	5,908
Total revenues	3,341,708
EXPENSES:	
Program services:	
Fire safety education	1,014,353
Research and development	145,731
Total program services	1,160,084
Supporting services:	
Management and general	486,482
Special fundraising	322,957
Other fundraising	1,606,762
Total support services	2,416,201
Total expenses	3,576,285
EXCESS OF REVENUES OR (EXPENSES) - BEFORE OTHER INCOME (EXPENSES)	(234,577)
OTHER INCOME (EXPENSES):	
Investment income - net	1,801
Unrealized gain (loss) on investments	17,416
Income tax expense	2,106
Total other income (expenses)	21,323
EXCESS OF REVENUES OR (EXPENSES)	(213,254)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	2,751,218
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	$ 2,537,964

(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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (213,254)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization expense	82,197
Unrealized (gain) loss on investments	(17,416)
Investment income reinvested	650
Change in:	
Contributions receivable - net	(626)
Other receivables	971
Inventory	(160,878)
Prepaid expenses	790
Accounts payable	54,240
Accrued liabilities	13,219
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(240,107)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(17,296)
Payments received from affiliated organizations - net	132
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(17,164)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from Paycheck Protection Program	416,400
Payments on installment contracts	(1,025)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	415,375
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	158,104
CASH - BEGINNING	783,689
CASH - ENDING	$ 941,793
SUPPLEMENTAL DISCLOSURE	
Interest paid (net of $0 capitalized)	$ 0
Income taxes paid	$ 3,732
CASH ON THE STATEMENT OF FINANCIAL POSITION SHOWN AS:	
Cash and cash equivalents	$ 758,432
Restricted Cash	$ 183,361
Total Cash	$ 941,793

(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, 2020

	PROGRAM SERVICES		
	FIRE SAFETY EDUCATION	RESEARCH AND DEVELOPMENT	TOTAL PROGRAM SERVICES
COMPENSATION:			
Salaries	$ 364,650	$ 124,331	$ 488,981
Employee benefits and taxes	67,676	21,167	88,843
Total compensation	432,326	145,498	577,824
OTHER EXPENSES:			
Educational publications and materials	417,994		417,994
Supplies	6,088	233	6,321
Travel and company paid expenses	8,859		8,859
Postage and copies	5,920		5,920
Legal and professional	29,646		29,646
Utilities	8,540		8,540
Automobile	1,039		1,039
Telephone	5,314		5,314
Maintenance and repairs	13,568		13,568
Filing fees and licenses	3,426		3,426
Insurance	42,975		42,975
Interest and service charges	2,912		2,912
Contract services	4,903		4,903
Dues and subscriptions			0
Office and equipment rental	8,392		8,392
Data processing expense			0
Conventions and meetings	10,622		10,622
Miscellaneous			0
Property taxes			0
Bingo paper and gaming products			0
Advertising			0
Total expenses before depreciation and amortization	1,002,524	145,731	1,148,255
Depreciation	11,829		11,829
Total expenses	$ 1,014,353	$ 145,731	$ 1,160,084

(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, 2020

SUPPORTING SERVICES				
MANAGEMENT AND GENERAL	SPECIAL FUND RAISING	OTHER FUND RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
$ 214,808	$ 7,020	$ 1,189,162	$ 1,410,990	$ 1,899,971
40,439	1,055	127,337	168,831	257,674
255,247	8,075	1,316,499	1,579,821	2,157,645
			0	417,994
5,461	35,502	18,019	58,982	65,303
8,859		132,236	141,095	149,954
5,921		96,378	102,299	108,219
29,645	3,335	6,588	39,568	69,214
8,540	12,269	8,540	29,349	37,889
1,040			1,040	2,079
5,314	1,959	5,315	12,588	17,902
13,568	26,462	4,088	44,118	57,686
428	27,000	428	27,856	31,282
21,488			21,488	64,463
2,912			2,912	5,824
5,506	27,211		32,717	37,620
1,276			1,276	1,276
8,391	2,750	18,515	29,656	38,048
67,666			67,666	67,666
			0	10,622
124	43,308	156	43,588	43,588
564			564	564
	89,093		89,093	89,093
	38,046		38,046	38,046
441,950	315,010	1,606,762	2,363,722	3,511,977
44,532	7,947		52,479	64,308
$ 486,482	$ 322,957	$ 1,606,762	$ 2,416,201	$ 3,576,285

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

National Fire Safety Council is a not-for-profit organization which promotes the importance of fire safety to adults and children across the country. The Organization accomplishes its goal by creating, producing, and distributing literature primarily to elementary schools. Donations are solicited to support these activities in addition to certain fundraising activities.

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

The Organization shares common management, personnel, and facilities with certain other not-for-profit organizations in a coordinated effort to provide a wide range of child safety training and education. The related organizations also share costs related to employees, occupancy and operations. These expenses are allocated based on the volume of activity for each entity.

New Accounting Pronouncement -

The Organization and its subsidiary have adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606), as amended as of November 1, 2019. Analysis of various provisions of this standard resulted in no significant changes in the recognition of revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Basis of Accounting -

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

Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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:

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents -

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

The Indiana Charitable Gaming Commission requires the Organization to maintain a separate bank account for the gaming revenue collected from the bingo facility operated in Indianapolis, Indiana. This money cannot be mixed with the operating bank account of the Organization and the allowable expenses are limited by Indiana code section 4.32.2-5-3. As of October 31, 2020, the amount of restricted cash held by the Organization is $183,361.

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.

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

Fair Value Measurements (Continued) -

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 fire safety programs. It is stated at the lower of cost or market by using the first-in, first-out (FIFO) method. The materials are charged to the expense when they are shipped to the sponsoring organizations. Inventory also includes a minimal amount of supplies for the special fundraising activities.

Contributions and Pledges Receivable -

Program representatives obtain pledges from businesses and organizations with the communities who choose to conduct fire safety programs utilizing the Organization's materials and resources in order to support the effort. Contributions are reported as revenue when pledged. Accordingly, a contribution receivable is recorded at year end for outstanding pledges with an allowance for amounts estimated to be uncollectible. Uncollectible pledges are written off after a reasonable period following the delivery of the fire safety program.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the contribution are both reported as unrestricted support. Other restricted contributions are reported as restricted support and net assets with donor restrictions.

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

Advertising Revenue -

The Organization sells advertisements to businesses through the wholly owned subsidiary, United States Fire Safety Services, in support of the fire safety programs in the designated areas served by the subsidiary company. Revenue is recognized at the time the commitment is made for the advertisement. Any commitments not paid in full at the end of one year are written off by the Organization. As of October 31, 2020, there are no outstanding receivables related to advertising revenue.

Property and Equipment -

Property and equipment are carried at cost. Depreciation is provided using the straight-line method for financial reporting purposes over the estimated useful lives of depreciable assets. Maintenance and repairs that do not improve or extend the useful lives of assets are expensed in the period the cost is incurred.

Special Fundraising -

Special fundraising revenue is the net gain from charitable gaming activities, which is the difference between charitable gaming gross revenues and related charitable gaming payouts.

Functional Allocation of Expenses -

The costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different result.

Shipping and Handling Costs -

Shipping and handling costs are expensed as incurred and included in education publications and materials expense.

Advertising -

The Organization expenses advertising costs as they are incurred. Advertising expense, included in special fund raising, was $38,046 for the year ended October 31, 2020.

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.

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

Income Taxes (Continued) -

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 July 26, 2021, the date that the financial statements were available to be issued.

On February 5, 2021, the Organization entered into a loan agreement with the Small Business Administration (SBA) (lender County National Bank) for a Second Draw Paycheck Protection Program (PPP) loan for National Fire Safety Council. The amount of the loan was $410,397.

On March 26, 2021, the Organization entered into a loan agreement with the SBA (lender Huntington Bank) for a Second Draw PPP loan for United States Fire Safety Services. The amount of the loan was $9,325.

The terms of both loans are the same as described for the First Draw PPP loans described in Note 8. The loans are currently in their forgivable period and, as a result, forgiveness has not yet been achieved, but is expected by management.

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 October 31, 2020, uninsured cash balances totaled $212,677.

NOTE 3 - FAIR VALUE OF INVESTMENTS:

The fair value of the Organization's investments are all classified as Level 1 investments, according to the Organization's policy described in Note 1.

The following is a breakdown of the change in Level 1 value for the year ended October 31, 2020:

NOTE 3 - FAIR VALUE OF INVESTMENTS (Continued):

Beginning Level 1 value	$ 546,067
Investment income	7,634
Investment fees	(8,284)
Change in market value	17,416
Ending Level 1 value	$ 562,833

The following is a breakdown of the carrying value of the investments by investment type as of October 31, 2020:

Cash and money market accounts	$ 26,441
Corporate equities	281,109
Mutual funds	178,166
Government securities	47,564
Corporate bonds	29,553
Total	$ 562,833

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable consists of the following amounts at October 31, 2020:

Contributions receivable	$ 16,954
Less: Allowance for uncollectible contributions	(4,643)
Contributions receivable – net	$ 12,311

Contributions are expected to be collected within one year.

NOTE 5 - DUE FROM RELATED PARTIES:

The following is a summary of amounts due from affiliated organizations as of October 31, 2020:

National Child Safety Council	$ 7,865
National Drug & Safety League	148,817
Child Safety of America	42,994
Total due from related parties	$ 199,676

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

NOTE 6 - FIXED ASSETS:

The following is a summary of fixed assets at October 31, 2020:

NOTE 6 - FIXED ASSETS (Continued):

Land	$ 294,333
Land improvements	86,003
Buildings	798,891
Building improvements	795,567
Machinery and equipment	644,530
Software	126,391
Furniture and fixtures	84,465
Total	2,830,180
Less: Accumulated depreciation	1,845,355
Net fixed assets	$ 984,825

Certain property included above is used by the Organization in its rental activities reported under revenue. Depreciation expense at October 31, 2020, related to that property was $17,889 and is netted against the related amounts for rental activities. The remaining depreciation of $64,308 was included in expenses in the consolidated statement of functional expenses.

NOTE 7 - INSTALLMENT CONTRACT PAYABLE:

In 2005, the Organization entered into a contract with an individual for the purchase of property. 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 on the contract was made during the fiscal year and the balance was $0 as of October 31, 2020.

NOTE 8 - PAYCHECK PROTECTION PROGRAM:

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was enacted and a key piece of the CARES Act is the PPP. The program was created by by the CARES Act to provide small businesses with cash flow assistance through federally guaranteed loans administered through the SBA. Generally, businesses were eligible for up to 2.5 times their average monthly payroll costs for calendar year 2019. Other significant terms of the loans received through the PPP include a fixed interest rate of 1%, maturity date of two years from the date of the agreement, first payment due six months from the date of the agreement (later delayed), and the ability to have a substantial portion of the principal and accrued interest forgiven.

On April 30, 2020, the Organization entered into a loan agreement with the SBA (lender Flagstar Bank) through the PPP for National Fire Safety Council. The loan was in the amount of $407,200.

On May 5, 2020, the Organization entered into a loan agreement with the SBA (lender Flagstar Bank) through the PPP for United States Fire Safety Services. The loan was in the amount of $9,200.

While expected to be fully forgiven subsequent to year-end, both loans were still outstanding as of October 31, 2020 and have been reported as long-term debt on the financial statements.

NOTE 9 - AVAILABILITY AND LIQUIDITY:

The Organization has $1,986,518 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of $941,793, investments of $562,833, contributions receivable of $12,311 other receivables of $2,255, inventory of $433,117 and prepaid expenses of $34,209. 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. $183,361 of the remaining current financial assets is subject to restrictions that make the funds unavailable for general expenditure within one year of the balance sheet date, however, these funds are expected to be used for charitable gaming expenses as allowed. While the Organization has not adopted a formal, written liquidity plan, it is the goal of the board of directors and management to ensure that the Organization has liquid assets to meet expenses as they become due. Excess cash generated by the Organization has been invested by the Organization in short-term savings accounts and other investment accounts that could be utilized in the event of an unanticipated liquidity need.

NOTE 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.

FASB ASC 958-720 established various criteria relating to purpose, audience, and content for the purpose of determining whether the cost of the joint activity should be allocated among functional categories or charged entirely to fundraising. Management believes that the Organization’s joint activity meets all of the FASB ASC 958-720 criteria necessary to permit allocation, except for certain considerations regarding compensation for performance of the joint activity. In this instance, the Organization’s safety counselors are compensated based on the contributions raised by the joint activity. While this is an integral incentive to promote performance and the Organization has concluded that its safety counselors are spending less than 10 percent of their time on fundraising, FASB ASC 958-720 nonetheless, requires that all costs of the joint activity be charged to fundraising because of the compensation arrangement.

Accordingly, to conform with the generally accepted accounting principles, the Organization has reported the entire cost of the joint activity, which for the year ended October 31, 2020, totaled $1,335,778, within fundraising expense in the accompanying consolidated statement of activities. If the Organization were allowed to allocate the costs of the joint activity, the distribution of such costs would have been as follows for the year ended October 31, 2020:

Program services	$ 1,202,200
Fundraising	133,578
Total	$ 1,335,778