

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
(A Nonprofit Organization)

JACKSON, MICHIGAN

FINANCIAL STATEMENTS

OCTOBER 31, 2021

CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS:	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF CASH FLOWS	5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	6 - 7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8 - 16



WILLIS & JURASEK

CPAS AND CONSULTANTS

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

September 9, 2022

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2021

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,437,636
Restricted cash	228,683
Investments	692,688
Contributions receivable - net	37,130
Other receivables	1,772
Inventory	436,620
Prepaid expenses	23,849
Total current assets	<u>2,858,378</u>
OTHER ASSETS:	
Due from related parties	<u>227,516</u>
PROPERTY, PLANT, AND EQUIPMENT:	
Property and equipment - net	<u>979,552</u>
Total assets	<u>\$ 4,065,446</u>

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable	\$ 159,384
Accrued liabilities	100,633
Notes payable - current portion	3,893
Total current liabilities	<u>263,910</u>
LONG-TERM LIABILITIES:	
Due to related parties	47,965
Notes payable - net of current portion	432,498
Total long-term liabilities	<u>480,463</u>
Total liabilities	<u>744,373</u>

NET ASSETS

Net assets without donor restrictions	<u>3,321,073</u>
Total liabilities and net assets	<u>\$ 4,065,446</u>

(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, 2021

REVENUES:	
Contributions	\$ 3,372,446
Advertising revenue	135,429
Special fundraising - net	536,204
Rental activities - net	211
Other income	8,276
	<hr/>
Total revenues	4,052,566
EXPENSES:	
Program services:	
Fire safety education	1,231,631
Research and development	142,584
Total program services	<hr/> 1,374,215
Supporting services:	
Management and general	445,898
Special fundraising	351,033
Other fundraising	1,651,854
Total support services	<hr/> 2,448,785
Total expenses	<hr/> 3,823,000
EXCESS OF REVENUES OR (EXPENSES) - BEFORE OTHER INCOME (EXPENSES)	229,566
OTHER INCOME (EXPENSES):	
Investment income - net	12,064
Unrealized gain (loss) on investments	119,060
Gain (loss) on disposal of fixed assets	4,000
Income tax expense	(79)
Paycheck protection program loan forgiveness	418,498
Total other income (expenses)	<hr/> 553,543
EXCESS OF REVENUES OR (EXPENSES)	783,109
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	<hr/> 2,537,964
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	<u><u>\$ 3,321,073</u></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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 783,109
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization expense	47,895
Unrealized (gain) loss on investments	(119,060)
Investment income reinvested	(10,795)
(Gain) loss on disposal of fixed assets	(4,000)
Paycheck protection program loan forgiveness	(416,397)
Change in:	
Contributions receivable - net	(24,819)
Other receivables	483
Inventory	(3,503)
Prepaid expenses	10,360
Accounts payable	53,678
Accrued liabilities	<u>(10,316)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>306,635</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(42,621)
Proceeds from sale of fixed assets	4,000
Payments received from affiliated organizations - net	<u>20,125</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(18,496)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from Paycheck Protection Program	419,722
Proceeds from long-term debt	20,125
Principal payments on long-term debt	<u>(3,456)</u>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>436,391</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	724,530
CASH - BEGINNING	<u>941,793</u>
CASH - ENDING	<u><u>\$ 1,666,323</u></u>
SUPPLEMENTAL DISCLOSURE	
Interest paid (net of \$0 capitalized)	\$ 646
Income taxes paid	\$ 82
CASH ON THE STATEMENT OF FINANCIAL POSITION SHOWN AS:	
Cash and cash equivalents	\$ 1,437,636
Restricted Cash	\$ 228,683
Total Cash	<u><u>\$ 1,666,319</u></u>

(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, 2021

	PROGRAM SERVICES		
	FIRE SAFETY EDUCATION	RESEARCH AND DEVELOPMENT	TOTAL PROGRAM SERVICES
COMPENSATION:			
Salaries	\$ 330,168	\$ 120,350	\$ 450,518
Employee benefits and taxes	64,844	21,441	86,285
Total compensation	395,012	141,791	536,803
OTHER EXPENSES:			
Educational publications and materials	658,503		658,503
Supplies	4,544	793	5,337
Travel and company paid expenses	8,343		8,343
Postage and copies	5,116		5,116
Legal and professional	34,640		34,640
Utilities	9,429		9,429
Automobile	2,430		2,430
Telephone	4,241		4,241
Maintenance and repairs	8,811		8,811
Filing fees and licenses	3,019		3,019
Insurance	40,402		40,402
Interest and service charges	2,605		2,605
Contract services	7,902		7,902
Dues and subscriptions			0
Office and equipment rental	7,969		7,969
Data processing expense			0
Conventions and meetings	24,266		24,266
Miscellaneous			0
Property taxes			0
Bingo paper and gaming products			0
Advertising			0
Total expenses before depreciation and amortization	<u>1,217,232</u>	<u>142,584</u>	<u>1,359,816</u>
Depreciation	<u>14,399</u>		<u>14,399</u>
Total expenses	<u>\$ 1,231,631</u>	<u>\$ 142,584</u>	<u>\$ 1,374,215</u>

(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, 2021

MANAGEMENT AND GENERAL	SUPPORTING SERVICES			TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
	SPECIAL FUND RAISING	OTHER FUND RAISING			
\$ 195,477	\$ 5,850	\$ 1,213,693	\$ 1,415,020	\$ 1,865,538	
38,671	1,113	127,303	167,087	253,372	
<u>234,148</u>	<u>6,963</u>	<u>1,340,996</u>	<u>1,582,107</u>	<u>2,118,910</u>	
			0	658,503	
3,254	49,888	24,405	77,547	82,884	
8,344		132,356	140,700	149,043	
5,116		117,093	122,209	127,325	
34,640	1,358	7,698	43,696	78,336	
9,428	13,577	9,428	32,433	41,862	
2,431			2,431	4,861	
4,240	2,190	4,241	10,671	14,912	
8,810	29,687	1,874	40,371	49,182	
377	23,100	377	23,854	26,873	
20,201			20,201	60,603	
2,606			2,606	5,211	
8,492	30,614		39,106	47,008	
1,595			1,595	1,595	
7,969	3,000	13,385	24,354	32,323	
83,499			83,499	83,499	
			0	24,266	
1,269	23,831	1	25,101	25,101	
2,207			2,207	2,207	
	152,414		152,414	152,414	
72	6,312		6,384	6,384	
<u>438,698</u>	<u>342,934</u>	<u>1,651,854</u>	<u>2,433,486</u>	<u>3,793,302</u>	
<u>7,200</u>	<u>8,099</u>		<u>15,299</u>	<u>29,698</u>	
<u>\$ 445,898</u>	<u>\$ 351,033</u>	<u>\$ 1,651,854</u>	<u>\$ 2,448,785</u>	<u>\$ 3,823,000</u>	

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

NATIONAL FIRE 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 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.

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.

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 FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Presentation (Continued) -

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, 2021, the amount of restricted cash held by the Organization is \$228,683.

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.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fair Value Measurements (Continued) -

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.

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, 2021, there are no outstanding receivables related to advertising revenue.

NATIONAL FIRE 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.

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 \$6,384 for the year ended October 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.

Subsequent Events -

Management has evaluated subsequent events and transactions for potential recognition or disclosure through September 9, 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.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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, 2021, uninsured cash balances totaled \$796,165.

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, 2021:

Beginning Level 1 value	\$ 562,833
Investment income	19,967
Investment fees	(9,172)
Change in market value	<u>119,060</u>
Ending Level 1 value	<u>\$ 692,688</u>

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

Cash and money market accounts	\$ 3,955
Corporate equities	400,266
Mutual funds	204,104
Government securities	58,412
Corporate bonds	<u>25,951</u>
Total	<u>\$ 692,688</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

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

Contributions receivable	\$ 40,690
Less: Allowance for uncollectible contributions	<u>(3,560)</u>
Contributions receivable – net	<u>\$ 37,130</u>

Contributions are expected to be collected within one year.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - DUE FROM RELATED PARTIES:

The following is a summary of amounts due from affiliated organizations as of October 31, 2021:

National Drug & Safety League	\$ 164,716
Child Safety of America	<u>62,800</u>
Total due from related parties	<u>\$ 227,516</u>

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, 2021:

Land	\$ 294,333
Land improvements	86,003
Buildings	798,891
Building improvements	810,317
Machinery and equipment	646,366
Software	126,391
Furniture and fixtures	<u>84,465</u>
Total	<u>2,846,766</u>
Less: Accumulated depreciation	<u>1,867,214</u>
Net fixed assets	<u>\$ 979,552</u>

Certain property included above is used by the Organization in its rental activities reported under revenue. Depreciation expense at October 31, 2021, related to that property was \$18,197 and is netted against the related amounts for rental activities. The remaining depreciation of \$29,698 was included in expenses in the consolidated statement of functional expenses.

NOTE 7 - DUE TO RELATED PARTIES:

The following is a summary of amounts due to affiliated organizations as of October 31, 2021:

National Child Safety Council	\$ 47,965
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National Child Safety Council is under common management with the Organization and its subsidiary. These unsecured loans have no stated interest or repayment terms.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - NOTE PAYABLE:

In 2020, the Organization obtained financing for the purchase of a vehicle from County National Bank. The financing was obtained in the amount of \$20,125 payable over 60 months at an interest rate of 2.99%. The outstanding balance at October 31, 2021 is \$16,669.

Scheduled maturities of the note payable for each of the next five years are as follows:

2022	\$ 3,893
2023	4,011
2024	4,132
2025	4,258
2026	375

NOTE 9 - 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 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. These loans, including the accrued interest, were both forgiven during the fiscal year and have been reflected on the consolidated statement of activities as other income.

On December 27, 2020, the Consolidated Appropriations Act was enacted and a key piece of the Act is the second round of the Payroll Protection Program (PPP2). The program was created to provide small businesses with cash flow assistance through federally guaranteed loans administered through the SBA. Generally, businesses were eligible for loans up to 2.5 times their average monthly payroll costs for calendar year 2019 or 2020, if they suffered a 25% or more reduction in gross receipts during any calendar quarter in 2020 compared to the same quarter in 2019 or a 25% reduction in gross receipts for 2020 compared to 2019. Entities must also have 300 or less employees. Other significant terms of the loans received through the PPP included a fixed interest rate of 1%, maturity date of five years from the date of the agreement, first payment due twelve months from date of agreement, and the ability to have a substantial portion of the principal and accrued interest forgiven. The debt was unsecured.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - PAYCHECK PROTECTION PROGRAM (Continued):

On February 5, 2021 the Organization entered into a loan agreement with the SBA (lender County National Bank) through the PPP2 for National Fire Safety Council. The loan was in the amount of \$410,397. On March 26, 2021, the Organization entered into a loan agreement with the SBA (lender Huntington Bank) through the PPP2 for United States Fire Safety Services. The amount of the loan was \$9,325. The Organization received full forgiveness of both loans and related interest in the subsequent fiscal year. Since the amount was forgiven subsequent to year-end, the full amount is shown as long-term debt as of year-end.

NOTE 10 - AVAILABILITY AND LIQUIDITY:

The Organization has \$2,858,378 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$1,666,319, investments of \$692,688, contributions receivable of \$37,130 other receivables of \$1,772, inventory of \$436,620 and prepaid expenses of \$23,849. 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. \$228,683 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 11 - 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.

NATIONAL FIRE SAFETY COUNCIL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - JOINT COSTS (Continued):

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, 2021, totaled \$1,386,170, 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, 2021:

Program services	\$ 1,247,553
Fundraising	<u>138,617</u>
Total	<u>\$ 1,386,170</u>