

EISNERAMPER

SECURITY COUNCIL REPORT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020



SECURITY COUNCIL REPORT, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Security Council Report, Inc.

Report on the Financial Statements

Opinion

We have audited the financial statements of Security Council Report, Inc. ("SCR"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Security Council Report, Inc., as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SCR and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

SCR's management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SCR's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
April 27, 2022



SECURITY COUNCIL REPORT, INC.

Statements of Financial Position

| | <u>December 31,</u> | |
|---|----------------------------|----------------------------|
| | <u>2021</u> | <u>2020</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,124,226 | \$ 1,668,435 |
| Grants receivable, net | 1,119,541 | 478,900 |
| Security deposit | 166,012 | 166,012 |
| Prepaid expenses and other assets | <u>38,696</u> | <u>44,269</u> |
| | <u>\$ 2,448,475</u> | <u>\$ 2,357,616</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 160,934 | \$ 170,259 |
| Line of credit | 16,522 | 13,463 |
| Paycheck Protection Program loan payable | - | 267,300 |
| Deferred rent obligation | <u>151,092</u> | <u>149,338</u> |
| Total liabilities | <u>328,548</u> | <u>600,360</u> |
| Commitment and Other Uncertainty (Notes E and J) | | |
| Net assets: | | |
| Without donor restrictions (including cumulative foreign currency losses of \$68,806 and \$64,587 in 2021 and 2020, respectively) | <u>975,771</u> | <u>1,278,356</u> |
| With donor restrictions: | | |
| Time restricted for future periods | 128,000 | 68,228 |
| Purpose restrictions | <u>1,016,156</u> | <u>410,672</u> |
| Total net assets with donor restrictions | <u>1,144,156</u> | <u>478,900</u> |
| Total net assets | <u>2,119,927</u> | <u>1,757,256</u> |
| | <u>\$ 2,448,475</u> | <u>\$ 2,357,616</u> |

SECURITY COUNCIL REPORT, INC.

Statements of Activities

| | Year Ended December 31, | | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|----------------------------|
| | 2021 | | | 2020 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public support: | | | | | | |
| Grants and contributions | \$ 910,155 | \$ 1,850,871 | \$ 2,761,026 | \$ 1,666,358 | \$ 221,434 | \$ 1,887,792 |
| Other income | <u>8,972</u> | <u>-</u> | <u>8,972</u> | <u>23,923</u> | <u>-</u> | <u>23,923</u> |
| Total public support before release of restrictions | 919,127 | 1,850,871 | 2,769,998 | 1,690,281 | 221,434 | 1,911,715 |
| Net assets released from restrictions | <u>1,185,615</u> | <u>(1,185,615)</u> | <u>-</u> | <u>1,351,812</u> | <u>(1,351,812)</u> | <u>-</u> |
| Total public support | <u>2,104,742</u> | <u>665,256</u> | <u>2,769,998</u> | <u>3,042,093</u> | <u>(1,130,378)</u> | <u>1,911,715</u> |
| Expenses: | | | | | | |
| Program services | <u>2,018,595</u> | <u>-</u> | <u>2,018,595</u> | <u>2,034,157</u> | <u>-</u> | <u>2,034,157</u> |
| Supporting services: | | | | | | |
| Management and general | 427,885 | - | 427,885 | 382,946 | - | 382,946 |
| Fund-raising | <u>223,928</u> | <u>-</u> | <u>223,928</u> | <u>125,846</u> | <u>-</u> | <u>125,846</u> |
| Total supporting services | <u>651,813</u> | <u>-</u> | <u>651,813</u> | <u>508,792</u> | <u>-</u> | <u>508,792</u> |
| Total expenses | <u>2,670,408</u> | <u>-</u> | <u>2,670,408</u> | <u>2,542,949</u> | <u>-</u> | <u>2,542,949</u> |
| Change in net assets before gain on forgiveness of debt and foreign currency translation (losses) gains | (565,666) | 665,256 | 99,590 | 499,144 | (1,130,378) | (631,234) |
| Gain on forgiveness of debt | 267,300 | - | 267,300 | - | - | - |
| Foreign currency translation (losses) gains | <u>(4,219)</u> | <u>-</u> | <u>(4,219)</u> | <u>27,274</u> | <u>-</u> | <u>27,274</u> |
| Change in net assets | (302,585) | 665,256 | 362,671 | 526,418 | (1,130,378) | (603,960) |
| Net assets, beginning of year | <u>1,278,356</u> | <u>478,900</u> | <u>1,757,256</u> | <u>751,938</u> | <u>1,609,278</u> | <u>2,361,216</u> |
| Net assets, end of year | <u>\$ 975,771</u> | <u>\$ 1,144,156</u> | <u>\$ 2,119,927</u> | <u>\$ 1,278,356</u> | <u>\$ 478,900</u> | <u>\$ 1,757,256</u> |

See notes to financial statements.

SECURITY COUNCIL REPORT, INC.

Statements of Functional Expenses

| | Year Ended December 31, | | | | | | | |
|--------------------------|--------------------------------|------------------------|-------------------|---------------------|--------------------------------|------------------------|-------------------|---------------------|
| | 2021 | | | | 2020 | | | |
| | Program Services | Supporting Services | | | Program Services | Supporting Services | | |
| | Informational Product Services | Management And General | Fund-raising | Total | Informational Product Services | Management And General | Fund-raising | Total |
| Salaries and benefits | \$ 1,489,123 | \$ 272,814 | \$ 194,526 | \$ 1,956,463 | \$ 1,475,719 | \$ 280,200 | \$ 112,080 | \$ 1,867,999 |
| Occupancy | 302,703 | 46,713 | 24,291 | 373,707 | 319,835 | 49,498 | 11,423 | 380,756 |
| Publications | 80,759 | - | - | 80,759 | 73,224 | - | - | 73,224 |
| Insurance | 10,715 | 1,654 | 860 | 13,229 | 10,890 | 1,685 | 389 | 12,964 |
| Professional fees | 77,036 | 80,234 | - | 157,270 | 62,474 | 11,676 | - | 74,150 |
| Telephone | 9,848 | 1,520 | 790 | 12,158 | 10,444 | 1,616 | 373 | 12,433 |
| Office expenses | 12,120 | 1,568 | 815 | 14,503 | 8,163 | 930 | 215 | 9,308 |
| Information technology | 32,968 | 5,088 | 2,646 | 40,702 | 38,264 | 5,923 | 1,366 | 45,553 |
| Travel | 51 | 69 | - | 120 | 24,658 | 119 | - | 24,777 |
| Meetings and conferences | 2,272 | - | - | 2,272 | 8,130 | - | - | 8,130 |
| Other | 1,000 | 18,225 | - | 19,225 | 2,356 | 31,299 | - | 33,655 |
| | <u>\$ 2,018,595</u> | <u>\$ 427,885</u> | <u>\$ 223,928</u> | <u>\$ 2,670,408</u> | <u>\$ 2,034,157</u> | <u>\$ 382,946</u> | <u>\$ 125,846</u> | <u>\$ 2,542,949</u> |

See notes to financial statements.

SECURITY COUNCIL REPORT, INC.

Statements of Cash Flows

| | Year Ended December 31, | |
|--|----------------------------|----------------------------|
| | <u>2021</u> | <u>2020</u> |
| Cash flows from operating activities: | | |
| Change in net assets | \$ 362,671 | \$ (603,960) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Gain on forgiveness of debt | (267,300) | - |
| Changes in: | | |
| Grants receivable, net | (640,641) | 1,076,218 |
| Prepaid expense and other assets | 5,573 | 1,128 |
| Accounts payable and accrued expenses | (9,325) | 18,781 |
| Deferred rent obligation | <u>1,754</u> | <u>10,315</u> |
| Net cash (used in) provided by operating activities | <u>(547,268)</u> | <u>502,482</u> |
| Cash flows from financing activities: | | |
| Proceeds under line-of-credit agreement | 75,224 | 70,510 |
| Principal payments under line-of-credit agreement | (72,165) | (67,156) |
| Proceeds from Paycheck Protection Program loan | <u>-</u> | <u>267,300</u> |
| Net cash provided by financing activities | <u>3,059</u> | <u>270,654</u> |
| Change in cash and cash equivalents | (544,209) | 773,136 |
| Cash and cash equivalents, beginning of year | <u>1,668,435</u> | <u>895,299</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,124,226</u> | <u>\$ 1,668,435</u> |

See notes to financial statements.

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Security Council Report, Inc. ("SCR"), a not-for-profit organization incorporated in New York, was established in 2004 to provide timely, accurate and objective information and analysis on the activities of the United Nations Security Council (the "Security Council"). This information and analysis is provided for the benefit of member states of the United Nations, particularly the ten elected members of the Security Council, but also the wider United Nations membership, the United Nations Secretariat and the public.

SCR is incorporated as a not-for-profit corporation and exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws.

[2] Basis of accounting:

The financial statements of SCR have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

[4] Cash and cash equivalents:

For financial-reporting purposes, SCR considers all highly liquid investments, with maturities of three months or less, to be cash equivalents.

[5] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their appropriate fair values at the dates of donation. SCR capitalizes items of property and equipment that have a cost of \$5,000 or more and a useful life greater than one year, of which there are none as of December 31, 2021 and 2020.

[6] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provided businesses, including certain not-for-profit organizations, with funds to pay payroll and qualifying expenditures during the coronavirus ("COVID-19") pandemic. During 2020, SCR applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. SCR has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. SCR's application for forgiveness of the loan was approved in August 2021 and the revenue was recognized in the accompanying statements of activities and net assets (see Note F).

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Accrued vacation:

SCR's employees are entitled to be paid for unused vacation time if they leave SCR. Accordingly, at each year-end, SCR must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. The accrued vacation obligation for 2021 and 2020 was approximately \$127,000 and \$125,000, respectively, and is included in accounts payable and accrued expenses, in the accompanying statements of financial position.

[8] Deferred rent:

For financial statement purposes, the difference between rent expense incurred by SCR on an accrual basis and the rent amounts paid in cash, as well as the unamortized portion of rent concessions and landlord contributions to leasehold improvement projects, is reported as deferred rent payable in the accompanying statements of financial position.

[9] Net assets:

SCR's net assets and changes therein are classified and reported as follows:

(i) *Net assets without donor restrictions:*

Net assets without donor restrictions represent those resources that are not subject to donor-imposed restrictions and are available for current operations.

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the accompanying statements of activities as "net assets released from restrictions."

[10] Revenue recognition:

The operations of SCR are financed principally by foundation grants and contributions received from foreign governments. Grants and contributions are recognized as revenue upon the receipt of either cash or other assets, or unconditional pledges. Grants and contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional grants and contributions are recorded when the conditions have been met, and, if received in advance, are recognized in the statement of financial position as funds received in advance. Grants and contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

During 2021, SCR received grants from various donors including; \$92,534 from Ireland, \$1,183,350 from Norway and \$236,975 from Switzerland. During 2020, SCR received grants from various donors including; \$88,721 from Ireland, \$413,655 from Norway, \$148,719 from Denmark and \$130,000 from Switzerland. All funds were disbursed and spent per the respective grant agreement guidelines. These grants are included in the accompanying statements of activities as "grants and contributions."

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Functional allocation of expenses:

The costs of providing SCR's programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by natural classification and function. Accordingly, certain costs that are directly attributable to a specific functional area of SCR are reported as an expense to the appropriate program or supporting service. Natural expenses attributable to more than one functional expense category have been allocated among the programs and supporting services based on the time and effort spent by employees and the nature of the expense. The expenses that are allocated include occupancy, publications, professional fees, information technology and meetings and conferences.

[12] Income taxes:

SCR is subject to the provisions of the FASB ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Because of SCR's general tax-exempt status, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on SCR's financial statements.

[13] Foreign currency translation:

The gains or losses on foreign currency translations are the inherent result of the process of translating into U.S. dollars, for financial-reporting purposes, those foreign grants and contributions that SCR receives as stated in their respective functional currencies. Such annual translation adjustments are not included in determining the net change in assets from operations, but they are instead disclosed as a separate component in the accompanying statements of activities. Likewise, the cumulative translation gains or losses continue to be reported as an element of net assets without donor restrictions in the accompanying statements of financial position.

[14] Upcoming accounting pronouncement:

In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update ("ASU") 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date, the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. The standard is effective for SCR for the fiscal year beginning after December 15, 2021. Upon the adoption of the guidance, operating leases are capitalized on the statements of financial position at the present value of lease payments, using the applicable incremental borrowing rate at the date of adoption. The impact on SCR's financial statements is currently being evaluated. Information about SCR's lease and the timing of those payments is provided in Note E.

[15] Subsequent events:

SCR evaluates subsequent events through April 27, 2022, the date at which the financial statements were available to be issued.

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE B - GRANTS RECEIVABLE

At each year-end, grants receivable consisted of the following:

| | <u>December 31,</u> | |
|--|----------------------------|--------------------------|
| | <u>2021</u> | <u>2020</u> |
| Due in less than one year | \$ 746,906 | \$ 478,900 |
| Due in one to five years | <u>397,250</u> | <u>-</u> |
| | 1,144,156 | 478,900 |
| Less: allowance for doubtful collection | - | - |
| Less: discount to present value, at a rate of 3.25% in 2021 | <u>(24,615)</u> | <u>-</u> |
| | <u>\$ 1,119,541</u> | <u>\$ 478,900</u> |

During 2021 and 2020, approximately 90% and 85%, respectively, of SCR's total gross grants receivable were due from three grantors.

NOTE C - NET ASSETS WITH DONOR RESTRICTIONS

At each year-end, net assets with donor restrictions consisted of the following:

| | <u>December 31,</u> | |
|--|----------------------------|--------------------------|
| | <u>2021</u> | <u>2020</u> |
| Restricted for future periods | <u>\$ 128,000</u> | <u>\$ 68,228</u> |
| Restricted for the following purposes: | | |
| Capacity Building Program | 166,890 | 5,000 |
| What's in Blue | 341,635 | 126,728 |
| Technical Assistance Program | 54,766 | 30,132 |
| Outreach | - | 84,486 |
| Monthly Forecast | <u>452,865</u> | <u>164,326</u> |
| | <u>1,016,156</u> | <u>410,672</u> |
| | <u>\$ 1,144,156</u> | <u>\$ 478,900</u> |

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE C - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each year, net assets with donor restrictions were associated with the following:

| | <u>December 31,</u> | |
|---------------------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Time restrictions satisfied | <u>\$ 272,228</u> | <u>\$ 545,330</u> |
| Purpose restrictions satisfied: | | |
| Capacity Building Program | 73,865 | - |
| What's in Blue | 293,934 | 184,891 |
| Technical Assistance Program | 75,132 | 111,233 |
| Outreach | 84,486 | 123,261 |
| Monthly Forecast | <u>385,970</u> | <u>387,097</u> |
| | <u>913,387</u> | <u>806,482</u> |
| | <u>\$ 1,185,615</u> | <u>\$ 1,351,812</u> |

NOTE D - RELATED-PARTY TRANSACTIONS

Three members of SCR Board of Directors, in both 2021 and 2020, were also stewards of private foundations and/or foreign governments that are principal contributors of resources to SCR; the total amount contributed by these related parties was approximately \$419,000 and \$506,000 for 2021 and 2020, respectively. Total contributions from these related parties represented 15% and 27% of total contribution revenues for 2021 and 2020, respectively.

NOTE E - COMMITMENT

During 2018, SCR entered into a new lease agreement for office space in New York City, for a term that ends in January 2026. As discussed in Note A[8], the aggregate minimum lease payments are being amortized using the straight-line method over the lease term. The cumulative difference between rent expense attributable to SCR and amounts paid by SCR amounted to \$151,092 and \$149,338 as of December 31, 2021 and 2020, respectively, and has been reported as a deferred rent obligation in the accompanying statements of financial position. Future minimum non-cancelable annual lease payments for this space, excluding escalations for operating expense and real estate tax increases, are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|-------------------------------------|---------------------|
| 2022 | \$ 359,787 |
| 2023 | 375,586 |
| 2024 | 405,386 |
| 2025 | 415,521 |
| 2026 | <u>35,272</u> |
| | <u>\$ 1,591,552</u> |

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE E - COMMITMENT (CONTINUED)

Rent expense for 2021 and 2020 was \$373,707 and \$380,756, respectively.

SCR's lease security deposit is held by the lessor.

NOTE F - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On May 3, 2020, SCR received \$267,300 in funds from the PPP and is reported as a Paycheck Protection Program loan payable in the statement of financial position at December 31, 2020. The loan would have matured on May 3, 2022 and bore interest at a rate of 1%. This loan would be forgiven subject to bank approval in accordance with SBA guidelines. In accordance with SBA guidelines, required monthly principal and interest payments would have begun no earlier than the end of the covered period of October 2020. SCR received full forgiveness of the PPP loan in August 2021.

NOTE G - LINE OF CREDIT

SCR has a business line of credit agreement in the amount of \$35,000 with a bank and is secured by the general assets of SCR. Interest on the line is payable at a variable rate subject to the market rate and the prime rate, which at December 31, 2021 was equivalent to 24.99%. At December 31, 2021 and 2020, the outstanding balances were approximately \$17,000 and \$14,000, respectively.

NOTE H - RISK CONSIDERATIONS

Financial instruments that potentially subject SCR to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in high-credit-quality financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, due to the high credit quality of these institutions, management believes that SCR does not face a significant risk of loss on these accounts that would be due to the failure of these institutions.

In addition, as a percentage of its total public support in 2021 and 2020, SCR received 95% and 93%, respectively, from eleven and twelve grantors, respectively.

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects SCR's financial assets available for general use within one year of the statements of financial position date:

| | <u>December 31,</u> | |
|--|----------------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Cash and cash equivalents | \$ 1,124,226 | \$ 1,668,435 |
| Grants receivable, net | <u>1,119,541</u> | <u>478,900</u> |
| Total financial assets available within one year | <u>2,243,767</u> | <u>2,147,336</u> |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Restricted by donors with purpose and time restrictions | <u>(1,144,156)</u> | <u>(478,900)</u> |
| Total financial assets available to meet cash general expenditures within one year | <u>\$ 1,099,611</u> | <u>\$ 1,668,435</u> |

Liquidity policy:

SCR has a policy to structure its financial assets to maintain a sufficient level of operating cash to be available as its general expenditures, liabilities and other obligations come due as part of SCR's liquidity management. Additionally, SCR has access to a \$35,000 bank line of credit, as discussed in Note G, which is available for short-term liquidity needs.

NOTE J - OTHER UNCERTAINTY

The ongoing impact of the COVID-19 outbreak on SCR's operations and services will depend on continuing developments, including the availability of funding, all of which are highly uncertain and cannot be predicted. If SCR's funding is impacted for an extended period, SCR's operations may be materially adversely affected.