

National Foundation for Credit Counseling, Inc.

Financial and Compliance Report
December 31, 2019

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RSM US LLP

Independent Auditor's Report

Board of Trustees
National Foundation for Credit Counseling, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the National Foundation for Credit Counseling, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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 the National Foundation for Credit Counseling, Inc. as of December 31, 2019, 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.

Other Matter

The financial statements of National Foundation for Credit Counseling, Inc., as of and for the year ended December 31, 2018, were audited by other auditors, whose report dated July 19, 2019, expressed an unmodified opinion on those statements.

Other Matter—Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2020, on our consideration of the National Foundation for Credit Counseling, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the National Foundation for Credit Counseling Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the National Foundation for Credit Counseling Inc.'s internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
June 25, 2020

National Foundation for Credit Counseling, Inc.

**Statements of Financial Position
December 31, 2019 and 2018**

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,924,840	\$ 3,163,825
Accounts receivable, net	403,837	195,481
Grants and contributions receivable, net	3,394,440	1,267,748
Prepaid expenses and other assets	340,203	358,766
Deferred compensation investments	114,761	293,112
Property and equipment, net	232,538	193,545
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Total assets	\$ 6,410,619	\$ 5,472,477
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 115,955	\$ 48,525
Grants payable	563,862	820,245
Accrued payroll and related expenses	52,439	89,978
Deferred revenue	-	512
Deferred compensation	114,761	293,112
Deferred rent	157,303	238,375
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Total liabilities	1,004,320	1,490,747
Commitments and contingencies (Note 7 and 9)		
Net assets:		
Without donor restrictions:		
Undesignated	671,363	398,377
Designated	650,000	606,190
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Total net assets without donor restrictions	1,321,363	1,004,567
With donor restrictions	4,084,936	2,977,163
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Total net assets	5,406,299	3,981,730
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Total liabilities and net assets	\$ 6,410,619	\$ 5,472,477

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

Statements of Activities

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions and corporate grants	\$ 1,629,957	\$ 3,822,600	\$ 5,452,557	\$ 731,920	\$ 1,855,000	\$ 2,586,920
Program income	2,346,725	-	2,346,725	2,151,444	-	2,151,444
Dues	951,446	-	951,446	1,031,646	-	1,031,646
Government grants	1,000,081	-	1,000,081	387,472	-	387,472
Other	20,735	-	20,735	16,056	-	16,056
Net assets released from restriction:						
Satisfaction of program restrictions	2,714,827	(2,714,827)	-	4,487,373	(4,487,373)	-
Total revenue and support	8,663,771	1,107,773	9,771,544	8,805,911	(2,632,373)	6,173,538
Expenses:						
Program services:						
General financial education	560,325	-	560,325	2,332,280	-	2,332,280
Membership support	2,303,593	-	2,303,593	1,591,811	-	1,591,811
Military financial education	496,490	-	496,490	1,009,358	-	1,009,358
Small Business counseling	838,336	-	838,336	998,531	-	998,531
Housing counseling	1,646,648	-	1,646,648	861,398	-	861,398
Student Loans counseling	311,662	-	311,662	458,625	-	458,625
Hispanic financial education	223,652	-	223,652	249,146	-	249,146
Total program services	6,380,706	-	6,380,706	7,501,149	-	7,501,149
Supporting services:						
Management and general	1,688,598	-	1,688,598	1,833,847	-	1,833,847
Fundraising	277,671	-	277,671	405,925	-	405,925
Total supporting services	1,966,269	-	1,966,269	2,239,772	-	2,239,772
Total expenses	8,346,975	-	8,346,975	9,740,921	-	9,740,921
Change in net assets before other item	316,796	1,107,773	1,424,569	(935,010)	(2,632,373)	(3,567,383)
Correction of a prior period error	-	-	-	(129,692)	-	(129,692)
Change in net assets	316,796	1,107,773	1,424,569	(1,064,702)	(2,632,373)	(3,697,075)
Net assets, beginning of year	1,004,567	2,977,163	3,981,730	2,069,269	5,609,536	7,678,805
Net assets, end of year	\$ 1,321,363	\$ 4,084,936	\$ 5,406,299	\$ 1,004,567	\$ 2,977,163	\$ 3,981,730

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Program Services								Supporting Services			
	General Financial Education	Membership Support	Military Financial Education	Small Business Counseling	Housing Counseling	Student Loans Counseling	Hispanic Financial Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salary	\$ 59,198	\$ 895,024	\$ 26,087	\$ 96,759	\$ 233,245	\$ 37,290	\$ 14,427	\$ 1,362,030	\$ 803,501	\$ 181,096	\$ 984,597	\$ 2,346,627
Agency counseling and support	435,833	12,740	372,500	444,475	644,008	162,600	179,850	2,252,006	-	-	-	2,252,006
Marketing	1,739	183,041	71,728	156,278	467,982	2,325	21,914	905,007	752	-	752	905,759
Consulting	1,648	230,486	89	48,923	95,895	2,085	52	379,178	112,334	5,207	117,541	496,719
Information technology	20,673	192,315	14,737	38,063	70,592	14,907	3,348	354,635	129,155	2,319	131,474	486,109
Benefits	18,034	208,201	6,363	27,682	47,440	10,837	1,235	319,792	179,742	41,557	221,299	541,091
Facility	9,144	138,250	4,030	14,946	36,028	5,760	2,229	210,387	124,112	27,973	152,085	362,472
Office and other expenses	625	67,531	-	482	(22,078)	65,088	-	111,648	149,350	2,181	151,531	263,179
Travel	6,305	144,938	159	6,024	6,763	73	156	164,418	28,616	7,676	36,292	200,710
Accounting and legal	4,428	86,408	-	-	45,994	7,679	-	144,509	82,350	-	82,350	226,859
Communications	889	110,206	-	1,546	351	1,014	-	114,006	53,727	488	54,215	168,221
Depreciation and amortization	1,809	28,427	797	2,958	16,678	1,629	441	52,739	24,560	6,067	30,627	83,366
Training	-	6,026	-	200	3,750	375	-	10,351	399	3,107	3,506	13,857
Total	\$ 560,325	\$ 2,303,593	\$ 496,490	\$ 838,336	\$1,646,648	\$ 311,662	\$ 223,652	\$ 6,380,706	\$ 1,688,598	\$ 277,671	\$ 1,966,269	\$ 8,346,975

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

Statement of Functional Expenses Year Ended December 31, 2018

	Program Services							Supporting Services				Total
	General Financial Education	Membership Support	Military Financial Education	Small Business Counseling	Housing Counseling	Student Loans Counseling	Hispanic Financial Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Agency counseling and support	\$ 1,621,016	\$ 13,806	\$ 514,648	\$ 498,550	\$ 349,792	\$ 84,639	\$ 195,775	\$ 3,278,226	\$ -	\$ -	\$ -	\$ 3,278,226
Salary	261,097	467,665	129,327	106,447	137,759	58,076	17,137	1,177,508	773,601	201,859	975,460	2,152,968
Marketing	215,205	80,563	214,421	213,564	150,449	192,071	9,607	1,075,880	311	-	311	1,076,191
Consulting	23,412	153,577	17,531	80,267	59,616	12,432	2,528	349,363	220,944	109,743	330,687	680,050
Information technology	76,420	141,998	61,198	35,454	44,909	19,950	15,735	395,664	168,981	239	169,220	564,884
Benefits	59,327	103,222	31,746	27,075	33,607	16,271	3,956	275,204	167,146	35,391	202,537	477,741
Facility	43,900	78,631	21,745	17,897	23,162	9,765	2,881	197,981	130,070	33,940	164,010	361,991
Office and other expenses	4,645	92,639	267	1,746	-	60,069	44	159,410	192,943	6,598	199,541	358,951
Travel	9,337	181,057	6,628	12,844	12,215	139	571	222,791	51,647	10,186	61,833	284,624
Accounting and legal	8,424	119,184	6,628	28	34,979	1,080	344	170,667	50,381	892	51,273	221,940
Communications	1,563	142,579	1,117	128	2,171	1,946	58	149,562	53,483	208	53,691	203,253
Depreciation and amortization	7,430	14,500	3,680	3,029	12,739	2,187	488	44,053	22,016	5,745	27,761	71,814
Training	504	2,390	422	1,502	-	-	22	4,840	2,324	1,124	3,448	8,288
Total	\$ 2,332,280	\$ 1,591,811	\$ 1,009,358	\$ 998,531	\$ 861,398	\$ 458,625	\$ 249,146	\$ 7,501,149	\$ 1,833,847	\$ 405,925	\$ 2,239,772	\$ 9,740,921

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,424,569	\$ (3,697,075)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	8,967	48,523
Amortization of discount on contributions receivable	23,326	(52,081)
Depreciation and amortization	83,366	71,814
Amortization of deferred rent	(81,072)	(71,646)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(217,323)	2,058
Grants and contributions receivable	(2,150,018)	3,015,938
Prepaid expenses and other assets	(159,789)	(31,294)
Increase (decrease) in:		
Accounts payable and accrued expenses	67,430	(1,827,714)
Grants payable	(256,383)	(601,954)
Accrued payroll and related expenses	(37,539)	(2,838)
Deferred revenue	(512)	(4,032)
Net cash used in operating activities	(1,294,978)	(3,150,301)
Cash flows from investing activities:		
Proceeds from sales of investments	230,504	-
Purchases of investments	(52,152)	(25,767)
Purchases of property and equipment	(122,359)	(8,813)
Net cash provided by (used in) investing activities	55,993	(34,580)
Net decrease in cash and cash equivalents	(1,238,985)	(3,184,881)
Cash and cash equivalents:		
Beginning	3,163,825	6,348,706
Ending	\$ 1,924,840	\$ 3,163,825

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The National Foundation for Credit Counseling, Inc. (the Foundation) is a not-for-profit, membership organization dedicated to personal and family preventative and rehabilitative financial education and counseling services. Its purpose is to promote the national agenda for financially responsible behavior and build capacity for its members to deliver the highest quality services in communities throughout the United States and its territories.

Income taxes: The Foundation is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as other than a private foundation. The Foundation is required to report unrelated business income to the Internal Revenue Service and the appropriate state taxing authorities. The Foundation had no unrelated business income for the years ended December 31, 2019 and 2018.

Basis of accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-For-Profit Entities Topic of the FASB ASC, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets without donor restrictions contain the following two components.

Undesignated: Net assets whose use is not restricted by donors or internally-designated for other purposes.

Designated: Designated reserve funds have been established by the Board of Trustees to provide funds for anticipated future projects and unbudgeted expenditures or unforeseen revenue shortfalls.

Use of 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 estimates.

Cash and cash equivalents: For purposes of these financial statements the Foundation considers all bank deposits and highly liquid investments to be cash equivalents. Cash and cash equivalents totaling \$650,000 and \$606,190 have been designated by the Board of Trustees at December 31, 2019 and 2018, respectively. Cash and cash equivalents that have been designated can be used only with approval by the Board.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Financial risk: The Foundation maintains demand deposits and money market funds at financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Foundation. However, the Foundation has not experienced losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal.

The Foundation invests deferred compensation assets in a professionally managed portfolio that contains various mutual funds. Such investments are exposed to market and credit risks. Therefore, the Foundation's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidating financial statements may not be reflective of the portfolio's value during subsequent periods.

Accounts receivable: Accounts receivable consist primarily of amounts due for services rendered to members throughout the United States. The allowance for doubtful accounts is based upon specific identification of uncollectible accounts and the Foundation's historical collection experience. The allowance for doubtful accounts was \$12,590 and \$19,141 as of December 31, 2019 and 2018, respectively.

Grants and contributions receivable: Grants and contributions receivable consist of receivables from the federal government and corporate donors. At December 31, 2019 and 2018, all grants and contributions receivable are expected to be collected within one year. An allowance for uncollectible amounts has not been established as the Foundation believes that all grants and contributions receivable are collectible.

Property and equipment: Acquisitions of property and equipment greater than \$1,000 are recorded at cost. Depreciation and amortization is computed using the straight-line method over estimated service lives as follows: furniture and equipment – three to five years; educational development – three years; and leasehold improvements – over the remaining life of the lease.

Adopted accounting pronouncements: During 2019, the Foundation adopted the guidance regarding contributions received from Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The Foundation adopted the standard using the modified prospective method as permitted by ASU 2018-08. This standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Based on the Foundation's review of its grants and contracts, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position and the statement of activities and changes in net assets. The Foundation will adopt the guidance regarding contributions made from ASU 2018-08 during the year ended December 31, 2020.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Also during 2019, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in generally accepted accounting principles (GAAP). This standard also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Foundation adopted the new standard effective for the year ended December 31, 2019, using the modified retrospective method. Based on the Foundation's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position and the statement of activities and changes in net assets but resulted in additional disclosures.

Revenue: The Foundation's activities are primarily supported through federal grants, membership dues, program service fees, and contributions from individual, corporate, and foundation donors. Prices for membership dues and program service fees are specific to distinct performance obligations and do not consist of multiple transactions. Economic factors are driven by consumer confidence, employment, inflation, and other world events that impact the timing and level of cash received and revenue recognized by the Foundation. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Foundation.

The Foundation did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Contributions and corporate grants: Unconditional contributions and corporate grants are recorded as support with or without donor restrictions, depending upon the existence and/or nature of any donor-imposed stipulations. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions with restrictions that are met within the same fiscal year are classified as support without donor restrictions.

Government grants: Government grants are considered to be conditional promises to give until the Foundation incurs expenses allowed under the grant agreements. As such, government grant revenue is recognized as costs qualified under the grants are incurred. Government funds received in advance of costs incurred are recorded as deferred revenue until expended for the purpose of the grants. Government costs incurred in excess of funds received in advance are recorded as grants receivable.

Dues revenue: Dues income is billed on a monthly, quarterly, semi-annual, or annual basis over the membership period. Amounts invoiced are due by the 20th of the month. Member benefits include use of the Foundation's brand and trademarks, industry advocacy and communications, access to the Foundation's suite of services, and industry strategic guidance. All member benefits are considered one performance obligation and revenue is recognized ratably over the period of the dues cycle.

Program income: Program income is recognized at a point in time as the related event occurs or service is provided. Program income consists primarily of National Locator Line fees and conference registrations and sponsorships. In addition, certification and recertification fees are included in this category. Amounts received in advance of the performance of the services are recorded as deferred revenue until the services are provided.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing various programs and administrative activities have been summarized on a functional basis in the statement of activities. Expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Occupancy, office expenses, and depreciation have been allocated among the program and supporting services benefited on the basis of direct labor costs. All other expenses are directly charged to the applicable functional areas.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-12, *Leases (Topic 842)*, which changes the accounting for leases. While both lessees and lessors are affected by the new guidance, the effects on lessors is largely unchanged. Under the new guidance, lessees will be required to recognize the following for all long-term leases: (1) a lease liability, which is the lessee's obligation to make lease payments measured on a discounted basis, and (2) a right-of-use asset, which represents the lessee's right to use (or control use of) a specific asset for the lease term. The standard will be effective for the Foundation for the fiscal year beginning January 1, 2021. The Foundation is currently in the process of evaluating the impact of the new accounting guidance on its financial statements.

Reclassifications: For comparative purposes, certain items related to the presentation of investing transactions on the statement of cash flows for the year ended December 31, 2018 have been reclassified from their original presentation. There was no impact on the previously reported change in net assets as a result of the reclassification.

Subsequent events: Subsequent events have been evaluated through June 25, 2020, which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Foundation's operations, suppliers or other vendors, and membership base. The operations for the Foundation's services could be negatively impacted by the regional and global outbreak of COVID-19, including stop-work orders on existing grants and cancellation of conferences and events for an unknown period of time. Any quarantines, labor shortages or other disruptions to the Foundation's operations, or those of its members, may adversely impact the Foundation's revenues, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Foundation operates, resulting in an economic downturn that could affect demand for its services. The extent to which the coronavirus impacts the Foundation's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families, and businesses effected by the coronavirus pandemic. In April 2020, the Foundation secured a Paycheck Protection Program loan of \$421,100 under the CARES Act and anticipates applying for forgiveness in accordance with the terms of the program.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 2. Liquidity and Availability of Financial Assets

The Foundation manages its cash available to meet general expenditures following three guiding principles: (1) operating within a prudent range of financial soundness and stability; (2) maintaining adequate liquid assets; and (3) maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The table below presents financial assets available to meet general expenditures within one year at December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year because of donor restrictions. Board-designated reserve funds are not included in financial assets available to meet general expenditures however should the need arise, it is anticipated the Board would allow the Foundation to access the designated fund in the event of a significant cash need.

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 1,924,840	\$ 3,163,825
Accounts receivable, net	403,837	195,481
Grants and contributions receivable, net	3,394,440	1,267,748
	<u>5,723,117</u>	<u>4,627,054</u>
Less net assets with donor restrictions	(4,084,936)	(2,977,163)
Less net assets with board designated funds	(650,000)	(606,190)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 988,181</u>	<u>\$ 1,043,701</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Furniture	\$ 61,514	\$ 67,628
Equipment	653,651	535,418
Leasehold improvements	520,866	520,866
Educational development	213,412	213,412
	<u>1,449,443</u>	<u>1,337,324</u>
Less accumulated depreciation and amortization	(1,216,905)	(1,143,779)
	<u>\$ 232,538</u>	<u>\$ 193,545</u>

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 4. Grants and Contributions Receivable

Promises to give to the Foundation, net of a discount to present value (at 3.2%) are due to be collected as follows at December 31, 2019 and 2018:

	2019	2018
Amounts due in:		
Less than one year	\$ 2,667,766	\$ 1,267,748
One to five years	750,000	-
	<u>3,417,766</u>	<u>1,267,748</u>
Less discount to present value	(23,326)	-
	<u>\$ 3,394,440</u>	<u>\$ 1,267,748</u>

The Foundation has conditional promises to give (conditional grants) from the U.S. government of \$790,438 as of December 31, 2019. Future payments are contingent upon the Foundation carrying out certain activities (meeting donor imposed barriers) stipulated by the grant or contract.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following for the years ended December 31, 2019 and 2018:

	January 1, 2019	Contributions	Satisfaction of Restrictions	December 31, 2019
Sharpen Your Financial Focus	\$ 2,544,202	\$ 3,045,000	\$ (2,058,834)	\$ 3,530,368
Debt Reduction Program	-	425,000	(120,377)	304,623
Envisioning Home Ownership	346,660	350,000	(471,166)	225,494
Military Financial Readiness Survey	84,795	2,600	(62,944)	24,451
Counselor Training	1,506	-	(1,506)	-
	<u>\$ 2,977,163</u>	<u>\$ 3,822,600</u>	<u>\$ (2,714,827)</u>	<u>\$ 4,084,936</u>
	January 1, 2018	Contributions	Satisfaction of Restrictions	December 31, 2018
Sharpen Your Financial Focus	\$ 5,550,012	\$ 1,325,000	\$ (4,330,810)	\$ 2,544,202
Envisioning Home Ownership	-	445,000	(98,340)	346,660
Military Financial Readiness Survey	-	85,000	(205)	84,795
Counselor Training	1,506	-	-	1,506
CFPB Library Program	50,000	-	(50,000)	-
Data Security Capacity Building	8,018	-	(8,018)	-
	<u>\$ 5,609,536</u>	<u>\$ 1,855,000</u>	<u>\$ (4,487,373)</u>	<u>\$ 2,977,163</u>

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 6. Description of Program and Supporting Services

The following significant program and supporting services are included in the accompanying financial statements:

General financial education: Develop and make available educational materials to member agencies and consumers on the responsible use of credit; develop partnerships with other national organizations to address the need for personal financial literacy. Since 2013, the Foundation has provided counseling under the Sharpen Your Financial Focus® initiative to assist consumers with debt resolution and other financial challenges.

Membership support: Foster member communications; member meetings and annual conference; counselor certification; publication of two newsletters; provide a path to assistance for consumers both online and telephonically; maintain relationships with credit-granting organizations to support clients and member organizations, build awareness for mission through media outreach.

Military financial education: Develop and maintain educational materials and support to member agencies and the nation-wide military in-service men and women, military dependents and veteran community to address and improve financial readiness through the responsible use of credit using the Sharpen Your Financial Focus® initiative. Develop and expand partnerships with other national organizations to support this constituency.

Small business counseling: The NFCC began development of a national small business counseling program which was initially integrated into the Sharpen Your Financial Focus® initiative. The NFCC expanded the program to a multi-part coaching program. Expenses relating to this initiative, to include program development, management and training of member agencies are included in this service line.

Housing counseling: Develop and maintain partnerships with the United States Department of Housing and Urban Development (HUD) and industry leaders, including mortgage lenders and servicers, to help NFCC Members assist consumers with pre-home ownership counseling and other homeownership issues. The NFCC started a program specifically focused on expanded pre-purchase counseling for prospective homebuyers.

Student loans counseling: Provide a national student loan program to train and support member agencies in counseling clients with student loan debt to reduce and manage their financial burden and help them on a path to financial security.

Hispanic financial education: Make available educational materials and support to member agencies and consumers to assist the Hispanic community with financial literacy education and by addressing their responsible use of credit using the Sharpen Your Financial Focus® initiative. Counseling in Spanish and bilingual education materials are available. Develop and maintain partnerships with other national organizations.

Management and general: Management of the human, financial and technical resources of the Foundation, administrative support for the Board of Trustees and governing bodies, government advocacy and the development and management of budget and statistical information.

Fundraising: Provide funds for the Foundation's mission and other operating expenses.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 7. Operating Lease Obligations

The Foundation entered into a lease agreement for office space in October 2010 ending in August 2021. The terms of the lease include base rental of \$312,169 per year with annual increases of 2.5% and a tenant improvement allowance, all of which are required to be recognized ratably over the term of the lease in accordance with accounting principles generally accepted in the United States of America. Accordingly, the amount of rent expense does not coincide with the cash payments. This gives rise to a deferred rent liability, which is being amortized over the term of the lease.

In connection with the lease agreement, the landlord provided an allowance to the Foundation to pay for leasehold improvements. The allowance totaled \$513,695 and is being treated as a reduction of rent expense over the term of the lease. Deferred rent, which includes unamortized deferred tenant allowances and future rent increases, totaled \$157,303 and \$238,375 at December 31, 2019 and 2018, respectively. Office rent expense for the years ended December 31, 2019 and 2018, was \$362,472 and \$361,991, respectively. The Foundation also has lease agreements for an automobile and various pieces of equipment.

The future minimum cash-basis rental payments required under the operating leases are as follows:

Years ending December 31:	
2020	\$ 399,645
2021	272,480
	<u>\$ 672,125</u>

Note 8. Retirement Plan

The Foundation maintains a defined contribution pension plan for all eligible employees. All full-time employees of the Foundation become eligible to participate in the plan upon commencement of employment and having attained the age of 20½ years. The Foundation makes a 3% non-discretionary contribution to all eligible employees. In addition, employees may elect to contribute a portion of their annual compensation defined by the plan, up to limits established by the Internal Revenue Service. The Foundation matches 100% of employee contributions to a maximum of 3%. Annual contributions are allocated, as elected by the participant, to ordinary life policies, group annuity contracts and trust fund investments.

In addition, the Foundation provides a 457(b) deferred compensation plan to certain employees. Assets and liabilities related to the 457(b) plan equaled \$114,761 and \$293,112 as of December 31, 2019 and 2018, respectively. The assets of the plan are held in publicly-traded mutual funds which were valued based on quoted prices for identical assets in active markets on a recurring basis (Level 1 of the fair value hierarchy).

Retirement plan expense for the years ended December 31, 2019 and 2018, was \$162,254 and \$133,534, respectively.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 9. Commitments and Contingencies

Meetings: The Foundation reserves hotel accommodations for various meetings up to one year in advance of an event. The contracts contain contingency clauses whereby the Foundation is liable for cancellations. The monetary restitution is based on a percentage of the peak room rate, the number of rooms contracted, and the date of cancellation.

Government grants: Federal award revenue provided to the Foundation by U.S. government agencies in relation to expenditures incurred under grant agreements may be subject to audit or adjustment by the government agencies. The expenditures which may be disallowed as a result of an audit cannot be determined at this time, although management expects such amounts, if any, to be immaterial

Note 10. Line of Credit

During 2011, the Foundation secured a revolving line of credit for \$300,000 which has been renewed through October 31, 2020. The line carries a variable interest rate of Prime, plus 1% and is secured by the general assets of the Foundation. There were no borrowings on the line during the years ended December 31, 2019 and 2018.

National Foundation for Credit Counseling, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019**

Federal Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Numbers	Federal Expenditures	Awards to Subrecipients
U.S. Department of Housing and Urban Development				
Housing Counseling Assistance Program:	14.169	HC180011030 and HC190011026	\$ 1,000,081	\$ 498,685
Total Department of Housing and Urban Development			<u>1,000,081</u>	<u>498,685</u>
Total expenditures of federal awards			<u>\$ 1,000,081</u>	<u>\$ 498,685</u>

See notes to schedule of expenditures of federal awards.

National Foundation for Credit Counseling, Inc.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of National Foundation for Credit Counseling, Inc. (the Foundation) under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to be and does not present the financial position, changes in net assets or cash flows of the Foundation.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Subrecipients

The Foundation has entered into agreements with subrecipients for certain grants. Under the terms of the agreements, payment is made to the subrecipients based on the completion of certain activities. Liabilities have only been accrued for services provided through December 31, 2019.

Note 4. Indirect Cost Rate

The Foundation does not charge indirect costs to the Federal program. Therefore, the Foundation elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Trustees
National Foundation for Credit Counseling, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the National Foundation for Credit Counseling, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Washington, D.C.
June 25, 2020

**Report on Compliance for Each Major Program; and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Trustees
National Foundation for Credit Counseling, Inc.

Report on Compliance for the Major Federal Program

We have audited the National Foundation for Credit Counseling, Inc.'s (the Foundation's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended December 31, 2019. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on the Major Federal Programs

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Washington, D.C.
June 25, 2020

National Foundation for Credit Counseling, Inc.

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2019**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____ Yes X _____ No

_____ Yes X _____ None Reported

Noncompliance material to financial statements noted?

_____ Yes X _____ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____ Yes X _____ No

_____ Yes X _____ None Reported

Type of auditor's report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)

_____ Yes X _____ No

Identification of major program:

CFDA Number(s)

Name of Federal Program or Cluster

14.169

Housing Counseling Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X _____ No

Section II. Financial Statement Findings

None reported.

Section III. Findings and Questioned Costs for Federal Awards

None reported.

National Foundation for Credit Counseling, Inc.

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019**

A single audit was not performed in the prior year. Thus, no uncorrected or unresolved findings exist from the prior year's Summary Schedule of Prior Audit Findings.