

National Foundation for Credit Counseling, Inc.

Financial and Compliance Report
December 31, 2020

Contents

Independent auditor's report	1-2
Financial statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-16
Supplementary information	
Schedule of expenditures of federal awards	17
Notes to schedule of expenditures of federal awards	18
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	19-20
Independent auditor's report on compliance for the major federal program and report on internal control over compliance required by the Uniform Guidance	21-22
Schedule of findings and questioned costs	23
Summary schedule of prior year audit findings	24



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 statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter—Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 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 April 22, 2021, on our consideration of the Foundation's 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 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.
April 22, 2021

National Foundation for Credit Counseling, Inc.

**Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 5,313,858	\$ 1,924,840
Accounts receivable, net	336,228	403,837
Grants and contributions receivable, net	1,163,117	3,394,440
Prepaid expenses and other assets	435,884	340,203
Deferred compensation investments	135,042	114,761
Property and equipment, net	266,356	232,538
	<u>266,356</u>	<u>232,538</u>
Total assets	\$ 7,650,485	\$ 6,410,619
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 123,147	\$ 115,955
Grants payable	811,655	408,862
Accrued payroll and related expenses	228,359	207,439
Deferred compensation	135,042	114,761
Deferred rent	66,566	157,303
	<u>66,566</u>	<u>157,303</u>
Total liabilities	1,364,769	1,004,320
Commitments and contingencies (Notes 6, 8 and 10)		
Net assets:		
Without donor restrictions:		
Undesignated	915,147	671,363
Designated	700,000	650,000
	<u>700,000</u>	<u>650,000</u>
Total net assets without donor restrictions	1,615,147	1,321,363
With donor restrictions	4,670,569	4,084,936
	<u>4,670,569</u>	<u>4,084,936</u>
Total net assets	6,285,716	5,406,299
	<u>6,285,716</u>	<u>5,406,299</u>
Total liabilities and net assets	\$ 7,650,485	\$ 6,410,619
	<u>\$ 7,650,485</u>	<u>\$ 6,410,619</u>

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

**Statements of Activities
Years Ended December 31, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions and corporate grants	\$ 1,050,881	\$ 3,986,570	\$ 5,037,451	\$ 1,629,957	\$ 3,822,600	\$ 5,452,557
Program income	2,389,856	-	2,389,856	2,346,725	-	2,346,725
Government grants	1,198,264	-	1,198,264	1,000,081	-	1,000,081
Dues	912,300	-	912,300	951,446	-	951,446
Other	5,722	-	5,722	20,735	-	20,735
Net assets released from restriction:						
Satisfaction of program restrictions	3,400,937	(3,400,937)	-	2,714,827	(2,714,827)	-
Total revenue and support	8,957,960	585,633	9,543,593	8,663,771	1,107,773	9,771,544
Expenses:						
Program services:						
Membership support	2,609,924	-	2,609,924	2,303,593	-	2,303,593
Housing counseling	1,962,826	-	1,962,826	1,646,648	-	1,646,648
General financial education	955,961	-	955,961	560,325	-	560,325
Small business counseling	814,748	-	814,748	838,336	-	838,336
Hispanic financial education	245,078	-	245,078	223,652	-	223,652
Military financial education	209,768	-	209,768	496,490	-	496,490
Student loans counseling	56,572	-	56,572	311,662	-	311,662
Total program services	6,854,877	-	6,854,877	6,380,706	-	6,380,706
Supporting services:						
Management and general	1,482,280	-	1,482,280	1,688,598	-	1,688,598
Fundraising	327,019	-	327,019	277,671	-	277,671
Total supporting services	1,809,299	-	1,809,299	1,966,269	-	1,966,269
Total expenses	8,664,176	-	8,664,176	8,346,975	-	8,346,975
Change in net assets	293,784	585,633	879,417	316,796	1,107,773	1,424,569
Net assets:						
Beginning	1,321,363	4,084,936	5,406,299	1,004,567	2,977,163	3,981,730
Ending	\$ 1,615,147	\$ 4,670,569	\$ 6,285,716	\$ 1,321,363	\$ 4,084,936	\$ 5,406,299

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services							Supporting Services				Total
	Membership Support	Housing Counseling	General Financial Education	Small Business Counseling	Hispanic Financial Education	Military Financial Education	Student Loans Counseling	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Agency counseling and support	\$ -	\$ 1,214,018	\$ 494,139	\$ 567,075	\$ 174,375	\$ 144,375	\$ 100	\$ 2,594,082	\$ -	\$ -	\$ -	\$ 2,594,082
Salary	1,059,886	364,351	94,267	60,686	15,853	28,823	3,603	1,627,469	706,810	220,736	927,546	2,555,015
Marketing	331,376	178,683	323,075	133,861	40,618	12,440	-	1,020,053	6,001	525	6,526	1,026,579
Consulting	365,905	47,888	796	664	124	208	25	415,610	108,905	3,731	112,636	528,246
Information technology	229,058	29,808	10,866	23,942	7,035	11,795	51,257	363,761	120,364	-	120,364	484,125
Benefits	205,200	59,696	17,781	13,609	3,636	6,036	784	306,742	124,913	48,094	173,007	479,749
Facility	155,310	47,878	11,296	8,893	2,323	4,224	528	230,452	111,600	32,346	143,946	374,398
Office and other expenses	31,641	236	20	154	188	71	-	32,310	135,934	9,237	145,171	177,481
Communications	114,843	297	72	399	109	264	-	115,984	40,072	680	40,752	156,736
Accounting and legal	58,588	285	-	-	-	-	-	58,873	90,091	-	90,091	148,964
Depreciation and amortization	49,482	15,254	3,599	2,832	740	1,346	168	73,421	35,556	10,305	45,861	119,282
Travel	8,483	452	50	2,633	77	186	107	11,988	1,736	1,365	3,101	15,089
Training	152	3,980	-	-	-	-	-	4,132	298	-	298	4,430
	\$ 2,609,924	\$ 1,962,826	\$ 955,961	\$ 814,748	\$ 245,078	\$ 209,768	\$ 56,572	\$ 6,854,877	\$ 1,482,280	\$ 327,019	\$ 1,809,299	\$ 8,664,176

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

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

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

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 879,417	\$ 1,424,569
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	59,342	8,967
Amortization of discount on contributions receivable	(23,326)	23,326
Depreciation and amortization	119,282	83,366
Amortization of deferred rent	(90,737)	(81,072)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	8,267	(217,323)
Grants and contributions receivable	2,254,649	(2,150,018)
Prepaid expenses and other assets	(92,514)	(159,789)
Increase (decrease) in:		
Accounts payable and accrued expenses	7,192	67,430
Grants payable	402,793	(411,383)
Accrued payroll and related expenses	20,920	117,461
Deferred revenue	-	(512)
Net cash provided by (used in) operating activities	3,545,285	(1,294,978)
Cash flows from investing activities:		
Proceeds from sales of investments	17,115	230,504
Purchases of investments	(20,282)	(52,152)
Purchases of property and equipment	(153,100)	(122,359)
Net cash (used in) provided by investing activities	(156,267)	55,993
Net increase (decrease) in cash and cash equivalents	3,389,018	(1,238,985)
Cash and cash equivalents:		
Beginning	1,924,840	3,163,825
Ending	\$ 5,313,858	\$ 1,924,840

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 or NFCC) is a nonprofit, 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.

Descriptions of the Foundation's significant program and supporting services are as follows:

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.

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.

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.

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.

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.

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.

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.

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

A summary of the Foundation's significant accounting policies follows:

Basis of presentation: The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of each net asset group is as follows:

Without donor restrictions – undesignated: Net assets whose use is not restricted by donors or internally-designated for other purposes.

Without donor restrictions – 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.

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.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all bank deposits and highly liquid investments to be cash equivalents.

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 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 \$15,350 and \$12,590 as of December 31, 2020 and 2019, respectively.

Grants and contributions receivable: Grants and contributions receivable consist of receivables from the federal government and corporate donors. At December 31, 2020 and 2019, the Foundation believes that all grants and contributions are collectible; therefore, an allowance for uncollectible amounts has not been established.

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.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

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

Deferred rent: Operating lease expenses are recorded based on the straight-line method over the life of the lease, with the difference between rent paid and straight-line rent expense recorded as deferred rent. Leasehold improvements acquired using the improvement allowance have been recorded as a component of property and equipment with a corresponding liability recorded in deferred rent.

Contributions: Contributions, and grants that are contributions, are reported as revenue in the year in which they are unconditionally received or promised. Contributions with restrictions that are met within the same fiscal year are classified as support without donor restrictions.

Contributions and corporate grants: 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets 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 refundable advances until expended for the purpose of the grants. Government costs incurred in excess of funds received in advance are recorded as grants receivable.

Revenue from contracts with customers: Revenue from contracts with customers is derived primarily from program service fees and membership dues. Revenue is recognized in the period in which it is earned. The Foundation performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if the Foundation is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has been transferred to the customer. If the specific criteria are not met revenue is recognized at a point in time.

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.

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.

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.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

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

Prices for program service fees and membership dues are specific to distinct performance obligations and do not consist of multiple transactions. They do not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. 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, and there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

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.

Adopted accounting pronouncements: During the year ended December 31, 2020, the Foundation adopted the guidance regarding contributions made from Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions of 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 contributions made, the timing and amount of expense recognized previously is consistent with how expenses are recognized under the new standard. The Foundation adopted the guidance from ASU 2018-08 regarding contributions received during the year ended December 31, 2019.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-12, *Leases (Topic 842)*, which changes the accounting for leases. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard will be effective for the Foundation during the year ending December 31, 2022. The Foundation is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU will be effective for the Foundation for the year ending December 31, 2022. The adoption of ASU 2020-07 is not expected to have a significant impact on the Foundation's financial statements.

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, 2020 and 2019.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

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

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications: For comparative purposes, certain items related to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Subsequent events: Subsequent events have been evaluated through April 22, 2021, which is the date the financial statements were available to be issued.

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, 2020 and 2019. 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.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 5,313,858	\$ 1,924,840
Accounts receivable, net	336,228	403,837
Grants and contributions receivable, net	1,163,117	3,394,440
	<u>6,813,203</u>	<u>5,723,117</u>
Less net assets with donor restrictions	(4,670,569)	(4,084,936)
Less net assets with board designated funds	<u>(700,000)</u>	<u>(650,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,442,634</u>	<u>\$ 988,181</u>

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31, 2020 and 2019:

	2020	2019
Furniture	\$ 61,514	\$ 61,514
Equipment	374,370	653,651
Leasehold improvements	520,866	520,866
Educational development	135,112	213,412
	<u>1,091,862</u>	<u>1,449,443</u>
Less accumulated depreciation and amortization	(825,506)	(1,216,905)
	<u>\$ 266,356</u>	<u>\$ 232,538</u>

Note 4. Grants and Contributions Receivable

Promises to give to the Foundation, net of a discount to present value are due to be collected as follows at December 31, 2020 and 2019:

	2020	2019
Amounts due in:		
Less than one year	\$ 1,163,117	\$ 2,667,766
One to five years	-	750,000
	<u>1,163,117</u>	<u>3,417,766</u>
Less discount to present value	-	(23,326)
	<u>\$ 1,163,117</u>	<u>\$ 3,394,440</u>

The Foundation has conditional promises to give (conditional grants) from the U.S. government of \$586,760 as of December 31, 2020. 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, 2020 and 2019:

	January 1, 2020	Contributions	Satisfaction of Restrictions	December 31, 2020
Housing Programs	\$ -	\$ 2,775,000	\$ (412,752)	\$ 2,362,248
Sharpen Your Financial Focus	3,530,368	346,570	(1,941,740)	1,935,198
Debt Reduction Program	304,623	690,000	(689,626)	304,997
Surveys	24,451	175,000	(131,325)	68,126
Envisioning Home Ownership	225,494	-	(225,494)	-
	<u>\$ 4,084,936</u>	<u>\$ 3,986,570</u>	<u>\$(3,400,937)</u>	<u>\$ 4,670,569</u>

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 5. Net Assets with Donor Restrictions (Continued)

	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
Surveys	84,795	2,600	(62,944)	24,451
Envisioning Home Ownership	346,660	350,000	(471,166)	225,494
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>

Note 6. 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%. In connection with the lease agreement, the landlord also 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 \$66,566 and \$157,303 at December 31, 2020 and 2019, respectively.

In January 2021, the Foundation entered into a lease agreement for new office space which commences in September 2021 and extends through August 2032. The terms of the lease include base rental of \$188,841 per year with annual increases of 2.5%, with an abatement of rent for the first 15 months of the lease term. In connection with the lease agreement, the landlord is also providing an allowance to the Foundation to pay for leasehold improvements.

Office rent expense for the years ended December 31, 2020 and 2019, was \$374,398 and \$362,472, respectively. The Foundation also has lease agreements for various pieces of equipment.

The future minimum cash-basis rental payments required under the operating leases, including the new office space lease, are as follows:

Years ending December 31:	
2021	\$ 272,480
2022	16,132
2023	195,191
2024	200,072
2025	205,075
Thereafter	1,503,660
	<u>\$ 2,392,610</u>

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 7. Retirement Plan

The Foundation maintains a defined contribution pension plan for all employees who meet certain eligibility requirements. 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 \$135,042 and \$114,761 as of December 31, 2020 and 2019, 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, 2020 and 2019, was \$132,250 and \$162,254, respectively.

Note 8. 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 9. Line of Credit

During 2011, the Foundation secured a revolving line of credit for \$300,000 which has been renewed through October 31, 2021. 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, 2020 and 2019.

Note 10. COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Foundation operates and holds meetings and other activities.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 10. COVID-19 Pandemic (Continued)

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 (PPP) loan of \$421,100 and elected to account for the loan under the provisions of contribution accounting. During the year ended December 31, 2020, the Foundation satisfied all conditions for forgiveness by incurring allowable expenses under the terms of the PPP loan. As a result, the Foundation has recognized the entire proceeds from the loan as a component of contributions revenue during the year ended December 31, 2020. The Foundation submitted its application for loan forgiveness in December 2020 and anticipates receiving formal notification of forgiveness by May 2021.

In February 2021, the Foundation secured a second draw PPP loan of \$421,000 under the CARES Act, as amended by the Paycheck Protection Program and Health Care Enhancement Act, the Paycheck Protection Program Flexibility Act of 2020, and the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act. The Foundation believes that most, if not all, of this loan will meet the requirements for forgiveness.

National Foundation for Credit Counseling, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

Federal Agency/ Assistance Listing Program Title	Assistance Listing Number	Contract Numbers	Federal Expenditures	Awards to Subrecipients
U.S. Department of Housing and Urban Development: Housing Counseling Assistance Program	14.169	HC190011026 and HC200011004	\$ 1,198,264	\$ 894,209
Total Department of Housing and Urban Development			<u>1,198,264</u>	<u>894,209</u>
Total expenditures of federal awards			<u><u>\$ 1,198,264</u></u>	<u><u>\$ 894,209</u></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 (the Schedule) includes the federal grant activity of National Foundation for Credit Counseling, Inc. (the Foundation) for the year ended December 31, 2020. 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, 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, 2020.

Note 4. Indirect Cost Rate

The Foundation uses a provisional indirect cost rate approved by the federal agency. Therefore, the Foundation elected not to use the 10% de minimis indirect cost rate, which is allowed in accordance with 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, 2020, 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 April 22, 2021.

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) as a basis for designing 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 material weaknesses. 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 financial statements. 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.
April 22, 2021



RSM US LLP

**Report on Compliance for the 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, 2020. 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 each federal program.

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 Foundation's major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on the Major Federal Program

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, 2020.

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.
April 22, 2021

National Foundation for Credit Counseling, Inc.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

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:

Assistance Listing 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

No matters were reported.

Section III. Findings and Questioned Costs for Federal Awards

No matters were reported.

National Foundation for Credit Counseling, Inc.

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020**

There were no audit findings reported for the year ended December 31, 2019.