

National Foundation for Credit Counseling, Inc.

Financial and Compliance Report
December 31, 2021

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Independent Auditor's Report

RSM US LLP

Board of Trustees
National Foundation for Credit Counseling, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Foundation for Credit Counseling, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the National Foundation for Credit Counseling, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 schedule of expenditures of federal awards 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 September 22, 2022, 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 the Foundation'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 Foundation's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
September 22, 2022

National Foundation for Credit Counseling, Inc.

**Statements of Financial Position
December 31, 2021 and 2020**

	2021	2020
Assets		
Cash and cash equivalents	\$ 6,572,266	\$ 5,313,858
Accounts receivable, net	244,993	336,228
Grants and contributions receivable, net	465,979	1,163,117
Prepaid expenses and other assets	161,324	435,884
Deferred compensation investments	154,610	135,042
Property and equipment, net	593,319	266,356
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Total assets	\$ 8,192,491	\$ 7,650,485
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 71,360	\$ 123,147
Grants payable	918,095	811,655
Accrued payroll and related expenses	181,693	228,359
Refundable advances	1,078,090	-
Deferred compensation	154,610	135,042
Deferred rent	112,435	66,566
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Total liabilities	2,516,283	1,364,769
Commitments and contingencies (Notes 6, 8 and 10)		
Net assets:		
Without donor restrictions:		
Undesignated	1,606,729	915,147
Designated	800,000	700,000
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Total net assets without donor restrictions	2,406,729	1,615,147
With donor restrictions	3,269,479	4,670,569
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Total net assets	5,676,208	6,285,716
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Total liabilities and net assets	\$ 8,192,491	\$ 7,650,485

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

**Statements of Activities
Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions and corporate grants	\$ 1,618,799	\$ 2,669,000	\$ 4,287,799	\$ 1,050,881	\$ 3,986,570	\$ 5,037,451
Program income	2,420,604	-	2,420,604	2,389,856	-	2,389,856
Government grants	987,639	-	987,639	1,198,264	-	1,198,264
Dues	1,060,747	-	1,060,747	912,300	-	912,300
Other	3,315	-	3,315	5,722	-	5,722
Net assets released from restriction:						
Satisfaction of program restrictions	4,070,090	(4,070,090)	-	3,400,937	(3,400,937)	-
Total revenue and support	10,161,194	(1,401,090)	8,760,104	8,957,960	585,633	9,543,593
Expenses:						
Program services:						
Membership support	2,413,253	-	2,413,253	2,609,924	-	2,609,924
Housing counseling	2,505,362	-	2,505,362	1,962,826	-	1,962,826
General financial education	1,746,109	-	1,746,109	955,961	-	955,961
Small business counseling	754,865	-	754,865	814,748	-	814,748
Military financial education	81,573	-	81,573	209,768	-	209,768
Student loans counseling	45,171	-	45,171	56,572	-	56,572
Hispanic financial education	41,776	-	41,776	245,078	-	245,078
Total program services	7,588,109	-	7,588,109	6,854,877	-	6,854,877
Supporting services:						
Management and general	1,509,240	-	1,509,240	1,482,280	-	1,482,280
Fundraising	272,263	-	272,263	327,019	-	327,019
Total supporting services	1,781,503	-	1,781,503	1,809,299	-	1,809,299
Total expenses	9,369,612	-	9,369,612	8,664,176	-	8,664,176
Change in net assets	791,582	(1,401,090)	(609,508)	293,784	585,633	879,417
Net assets:						
Beginning	1,615,147	4,670,569	6,285,716	1,321,363	4,084,936	5,406,299
Ending	\$ 2,406,729	\$ 3,269,479	\$ 5,676,208	\$ 1,615,147	\$ 4,670,569	\$ 6,285,716

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services							Supporting Services				
	Membership Support	Housing Counseling	General Financial Education	Small Business Counseling	Military Financial Education	Student Loans Counseling	Hispanic Financial Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 939,983	\$ 444,354	\$ 213,875	\$ 26,242	\$ 8,661	\$ 1,705	\$ 3,365	\$ 1,638,185	\$ 830,082	\$ 173,972	\$ 1,004,054	\$ 2,642,239
Agency counseling and support	-	1,072,876	1,214,434	476,763	-	-	-	2,764,073	-	-	-	2,764,073
Marketing	301,183	432,713	170,900	231,661	68,309	-	36,302	1,241,068	-	-	-	1,241,068
Information technology	417,561	340,646	45,590	8,998	1,138	42,146	614	856,693	4,326	-	4,326	861,019
Benefits	188,930	65,822	52,912	6,619	1,957	384	888	317,512	170,122	41,537	211,659	529,171
Consulting	203,358	65,739	3,455	198	56	12	25	272,843	161,187	22,270	183,457	456,300
Facility	107,971	51,040	24,567	3,014	995	196	387	188,170	95,348	19,983	115,331	303,501
Accounting and legal	53,879	10,502	7,908	-	-	-	-	72,289	84,993	2,992	87,985	160,274
Office and other expenses	37,598	83	47	60	1	646	1	38,436	86,307	2,223	88,530	126,966
Depreciation and amortization	45,163	21,349	10,276	1,261	416	82	162	78,709	39,883	8,359	48,242	126,951
Communications	94,715	220	1,097	45	21	-	17	96,115	26,144	799	26,943	123,058
Travel	22,912	18	1,048	4	19	-	15	24,016	8,981	128	9,109	33,125
Training	-	-	-	-	-	-	-	-	1,867	-	1,867	1,867
	<u>\$ 2,413,253</u>	<u>\$ 2,505,362</u>	<u>\$ 1,746,109</u>	<u>\$ 754,865</u>	<u>\$ 81,573</u>	<u>\$ 45,171</u>	<u>\$ 41,776</u>	<u>\$ 7,588,109</u>	<u>\$ 1,509,240</u>	<u>\$ 272,263</u>	<u>\$ 1,781,503</u>	<u>\$ 9,369,612</u>

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

See notes to financial statements.

National Foundation for Credit Counseling, Inc.

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (609,508)	\$ 879,417
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	18,012	59,342
Amortization of discount on contributions receivable	-	(23,326)
Depreciation and amortization	126,951	119,282
Deferred rent	45,869	(90,737)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	73,223	8,267
Grants and contributions receivable	697,138	2,254,649
Prepaid expenses and other assets	294,128	(92,514)
Increase (decrease) in:		
Accounts payable and accrued expenses	(51,787)	7,192
Grants payable	106,440	402,793
Accrued payroll and related expenses	(46,666)	20,920
Refundable advances	1,078,090	-
Net cash provided by operating activities	1,731,890	3,545,285
Cash flows from investing activities:		
Proceeds from sales of investments	-	17,115
Purchases of investments	(19,568)	(20,282)
Purchases of property and equipment	(453,914)	(153,100)
Net cash used in investing activities	(473,482)	(156,267)
Net increase in cash and cash equivalents	1,258,408	3,389,018
Cash and cash equivalents:		
Beginning	5,313,858	1,924,840
Ending	\$ 6,572,266	\$ 5,313,858
Supplemental disclosure of noncash investing and financing transactions:		
Leasehold improvements acquired via tenant allowance	\$ 22,095	\$ -

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.

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.

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 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 \$14,415 and \$15,350 as of December 31, 2021 and 2020, respectively.

Grants and contributions receivable: Grants and contributions receivable consist of receivables from the federal government and corporate donors. At December 31, 2021 and 2020, 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 seven years; educational development—three to seven 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)

Refundable advances: Refundable advances consist of cash payments received related to conditional contributions from the U.S. government for which the underlying conditions have not yet been satisfied by the Foundation.

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. The Foundation reports donor-restricted support that was initially received as a conditional contribution as net assets without donor restrictions when the donor-imposed conditions and restrictions are met simultaneously. Conditional contributions are not recognized as revenue until the related conditions are satisfied.

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.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

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

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.

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.

Contract balances: The timing of revenue recognition may not align with the right to invoice the customer. The Foundation records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening contract balances as of January 1, 2020, consisted of net accounts receivable of \$403,837.

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 Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-12, *Leases (Topic 842)*. 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 for 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 is effective for the Foundation for 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.

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, 2021 and 2020.

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 accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

Subsequent events: Subsequent events have been evaluated through September 22, 2022, 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, 2021 and 2020. 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.

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 6,572,266	\$ 5,313,858
Accounts receivable, net	244,993	336,228
Grants and contributions receivable, net	465,979	1,163,117
	<u>7,283,238</u>	<u>6,813,203</u>
Less net assets with donor restrictions	(3,269,479)	(4,670,569)
Less net assets with board designated funds	(800,000)	(700,000)
Less refundable advances	(1,078,090)	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,135,669</u>	<u>\$ 1,442,634</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31, 2021 and 2020:

	2021	2020
Furniture	\$ 71,687	\$ 61,514
Equipment	368,037	374,370
Leasehold improvements	85,524	520,866
Educational development	423,336	135,112
	<u>948,584</u>	<u>1,091,862</u>
Less accumulated depreciation and amortization	(355,265)	(825,506)
	<u>\$ 593,319</u>	<u>\$ 266,356</u>

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 3. Property and Equipment (Continued)

During the year ended December 31, 2021, the Foundation incurred a loss of \$0 on disposals of furniture, equipment, and leasehold improvements in connection with its office move (see Note 6).

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, 2021 and 2020:

	2021	2020
Amounts due in:		
Less than one year	\$ 465,979	\$ 1,163,117
One to five years	-	-
	<u>465,979</u>	<u>1,163,117</u>
Less discount to present value	-	-
	<u>\$ 465,979</u>	<u>\$ 1,163,117</u>

The Foundation has conditional promises to give (conditional grants) from the U.S. government of \$2,984,023 as of December 31, 2021. 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, 2021 and 2020:

	January 1, 2021	Contributions	Satisfaction of Restrictions	December 31, 2021
Housing Programs	\$ 2,362,248	\$ 1,085,000	\$ (1,228,234)	\$ 2,219,014
Sharpen Your Financial Focus	1,935,198	1,149,500	(2,317,329)	767,369
Surveys	68,126	359,500	(210,443)	217,183
Debt Reduction Program	304,997	75,000	(314,084)	65,913
	<u>\$ 4,670,569</u>	<u>\$ 2,669,000</u>	<u>\$ (4,070,090)</u>	<u>\$ 3,269,479</u>

	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
Surveys	24,451	175,000	(131,325)	68,126
Debt Reduction Program	304,623	690,000	(689,626)	304,997
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 6. Operating Lease Obligations

The Foundation entered into a lease agreement for office space in October 2010 that ended in August 2021. The terms of the lease included 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 was treated as a reduction of rent expense over the term of the lease. Deferred rent, which included unamortized deferred tenant allowances and future rent increases, totaled \$66,566 at December 31, 2020.

In January 2021, the Foundation entered into a lease agreement for new office space which commenced 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 also provided an allowance to the Foundation to pay for leasehold improvements. The allowance totaled \$49,695 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 \$112,435 at December 31, 2021.

Office rent expense for the years ended December 31, 2021 and 2020, was \$303,501 and \$374,398, respectively.

Future minimum cash-basis rental payments required under the lease agreements are as follows:

Years ending December 31:	
2022	\$ 16,132
2023	195,191
2024	200,072
2025	205,075
2026	210,188
Thereafter	1,293,472
	<u>\$ 2,120,130</u>

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 \$154,610 and \$135,042 as of December 31, 2021 and 2020, 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, 2021 and 2020, was \$138,605 and \$132,250, respectively.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

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 was closed out in November 2021 in connection with the Foundation's change in banking relationships. The line carried a variable interest rate of Prime plus 1% and was secured by the general assets of the Foundation.

In December 2021, the Foundation secured a revolving line of credit for \$500,000, which expires on December 31, 2022. Borrowings accrue interest at the Wall Street Journal Prime Rate and is secured by the general assets of the Foundation.

There were no borrowings on the lines of credit during the years ended December 31, 2021 and 2020.

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 may 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.

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 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 received formal notification of forgiveness of all principal and accrued interest in 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 elected to account for the loan under the provisions of contribution accounting. During the year ended December 31, 2021, the Foundation satisfied all conditions for forgiveness by incurring allowable expenses under the terms of the PPP loan. As a result, the Foundation recognized the entire proceeds from the loan as a component of contributions revenue during the year ended December 31, 2021. The Foundation received formal notification of forgiveness of all principal and accrued interest in October 2021.

National Foundation for Credit Counseling, Inc.

Notes to the Financial Statements

Note 10. COVID-19 Pandemic (Continued)

In addition, the Foundation availed itself of the Employee Retention Credit (ERC) that was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Benefits received from the ERC during the years ended December 31, 2021 and 2020, were \$247,620 and \$0, respectively. As of December 31, 2021, \$126,000 of anticipated ERC benefits are included within grants and contributions receivable.

The ERC benefits are presented as a component of contributions and corporate grants revenue on the statements of activities.

The Foundation has applied the contribution revenue recognition provisions of Accounting Standards Codification 958, Not-for-Profit-Entities, to the PPP and ERC benefits.

National Foundation for Credit Counseling, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021**

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	HC200011004 and HC210011016	\$ 916,045	\$ 404,775
Total Department of Housing and Urban Development			<u>916,045</u>	<u>404,775</u>
Neighborhood Reinvestment Corporation: Housing Stability Counseling Program	99.U19	PL117-2	71,594	17,850
Total Neighborhood Reinvestment Corporation			<u>71,594</u>	<u>17,850</u>
Total expenditures of federal awards			<u>\$ 987,639</u>	<u>\$ 422,625</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, 2021. 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, 2021.

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.



RSM US LLP

**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, 2021, 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 September 22, 2022.

Report on 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 entity'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.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Washington, D.C.
September 22, 2022



RSM US LLP

**Report on Compliance for the Major Federal 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

Opinion on Each Major Federal Program

We have audited the National Foundation for Credit Counseling, Inc.'s (the Foundation's) compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.
September 22, 2022

National Foundation for Credit Counseling, Inc.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2021**

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?

 X Yes 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, 2021**

There were no audit findings reported for the year ended December 31, 2020.