

Independent Auditor's Report



MIZE & HOUSER
COMPANY P.A.

The Board of Directors
Housing & Credit Counseling, Inc.
Topeka, Kansas

We have audited the accompanying financial statements of Housing & Credit Counseling, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 Housing & Credit Counseling, Inc. as of December 31, 2012 and 2011, 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.

Mize Houser & Company P.A.

Certified Public Accountants

May 14, 2013
Topeka, Kansas

HOUSING & CREDIT COUNSELING, INC.

Statements of Financial Position December 31,

Assets

| | <u>2012</u> | <u>2011</u> |
|--|--------------------|--------------------|
| Cash and cash equivalents | \$ 639,250 | \$ 558,849 |
| Investments | 532,534 | 528,409 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,000 and \$3,772 for 2012 and 2011 | 8,881 | 9,953 |
| Grants receivable | 26,627 | 13,366 |
| Prepaid expenses | 6,940 | 6,450 |
| Property and equipment, at cost, less accumulated depreciation of \$208,675 and \$255,204 for 2012 and 2011 | <u>13,380</u> | <u>15,480</u> |
| Total assets | <u>\$1,227,612</u> | <u>\$1,132,507</u> |

Liabilities and Net Assets

| | | |
|----------------------------------|--------------------|--------------------|
| Liabilities: | | |
| Accounts payable | \$ 4,304 | \$ 1,027 |
| Accrued payroll and taxes | <u>40,145</u> | <u>40,762</u> |
| Total liabilities | <u>44,449</u> | <u>41,789</u> |
| Net assets: | | |
| Unrestricted | <u>1,183,163</u> | <u>1,090,718</u> |
| Total net assets | <u>1,183,163</u> | <u>1,090,718</u> |
| Total liabilities and net assets | <u>\$1,227,612</u> | <u>\$1,132,507</u> |

The accompanying summary of significant accounting policies
and notes are an integral part of these financial statements

HOUSING & CREDIT COUNSELING, INC.

Statements of Activities Years Ended December 31,

| | <u>2012</u> | <u>2011</u> |
|--|--------------------|--------------------|
| Revenue: | | |
| Grant revenue: | | |
| Federal | \$ 68,122 | \$ 75,841 |
| Other governmental support | 166,830 | 154,900 |
| United Way | 186,421 | 77,211 |
| Other grants | 133,929 | 78,406 |
| Program revenues: | | |
| Consumer credit counseling – Creditor contributions | 100,989 | 129,341 |
| Underwriting, consulting and registrations | 157,142 | 149,112 |
| Consumer credit counseling – Client fees and contributions | 133,072 | 187,231 |
| Publications | 2,844 | 2,967 |
| Fundraising | 62,799 | 58,341 |
| Investment income | <u>5,504</u> | <u>3,877</u> |
| | <u>1,017,652</u> | <u>917,227</u> |
| Expenses: | | |
| Program services | 725,181 | 763,996 |
| Supporting services: | | |
| Management and general | 127,798 | 98,190 |
| Fundraising | <u>72,228</u> | <u>41,952</u> |
| | <u>925,207</u> | <u>904,138</u> |
| Change in net assets | 92,445 | 13,089 |
| Net assets, beginning of year | <u>1,090,718</u> | <u>1,077,629</u> |
| Net assets, end of year | <u>\$1,183,163</u> | <u>\$1,090,718</u> |

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and notes are an integral part of these financial statements

HOUSING & CREDIT COUNSELING, INC.

Statements of Functional Expenses Years Ended December 31,

| 2012 | | | | 2011 | | | |
|---------------------|-------------------------|-------------------|-------------------|---------------------|-------------------------|------------------|-------------------|
| Program Services | Management & General | Fundraising | Total | Program Services | Management & General | Fundraising | Total |
| \$ 402,882 | \$ 52,086 | \$ 58,005 | \$ 512,973 | \$ 435,959 | \$ 56,030 | \$ 23,939 | \$ 515,928 |
| 45,182 | 5,841 | 6,505 | 57,528 | 52,253 | 6,716 | 2,869 | 61,838 |
| <u>38,145</u> | <u>4,932</u> | <u>5,492</u> | <u>48,569</u> | <u>39,870</u> | <u>5,124</u> | <u>2,190</u> | <u>47,184</u> |
| 486,209 | 62,859 | 70,002 | 619,070 | 528,082 | 67,870 | 28,998 | 624,950 |
| 113,289 | 10,366 | 33 | 123,688 | 90,991 | 11,694 | 4,997 | 107,682 |
| 19,751 | 3,343 | 195 | 23,289 | 23,397 | 3,007 | 1,285 | 27,689 |
| 12,839 | 22,730 | | 35,569 | 21,757 | 2,796 | 1,195 | 25,748 |
| 18,136 | 1,979 | | 20,115 | 18,062 | 2,321 | 992 | 21,375 |
| 13,333 | 4,757 | 9 | 18,099 | 17,239 | 2,216 | 946 | 20,401 |
| 2,312 | 1,857 | 1,467 | 5,636 | 12,038 | 1,547 | 661 | 14,246 |
| 8,947 | 1,579 | | 10,526 | 11,018 | 1,416 | 605 | 13,039 |
| 10,851 | 1,915 | | 12,766 | 11,006 | 1,415 | 604 | 13,025 |
| 16,303 | 2,152 | 417 | 18,872 | 10,037 | 1,290 | 551 | 11,878 |
| 13,351 | 5,119 | 62 | 18,532 | 6,948 | 893 | 381 | 8,222 |
| 1,315 | 3,450 | | 4,765 | 4,172 | 536 | 229 | 4,937 |
| 2,611 | 1,695 | 43 | 4,349 | 3,733 | 480 | 205 | 4,418 |
| 3,623 | 1,030 | | 4,653 | 3,044 | 391 | 167 | 3,602 |
| <u>2,311</u> | <u>2,967</u> | <u> </u> | <u>5,278</u> | <u>2,472</u> | <u>318</u> | <u>136</u> | <u>2,926</u> |
| <u>\$ 725,181</u> | <u>\$127,798</u> | <u>\$ 72,228</u> | <u>\$ 925,207</u> | <u>\$ 763,996</u> | <u>\$ 98,190</u> | <u>\$ 41,952</u> | <u>\$ 904,138</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

HOUSING & CREDIT COUNSELING, INC.

Statements of Cash Flows Years Ended December 31,

| | <u>2012</u> | <u>2011</u> |
|---|------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 92,445 | \$ 13,089 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 12,766 | 13,025 |
| Change in allowance for doubtful accounts | (2,772) | (4,228) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in operating assets: | | |
| Accounts and grants receivable | (9,417) | 38,704 |
| Prepaid expenses | (490) | 1,613 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 3,277 | (74) |
| Accrued payroll and taxes | <u>(617)</u> | <u>(10,377)</u> |
| Net cash provided by operating activities | <u>95,192</u> | <u>51,752</u> |
| Cash flows from investing activities: | | |
| Purchase of investments | (4,125) | (2,909) |
| Purchase of property and equipment | <u>(10,666)</u> | <u> </u> |
| Net cash used in investing activities | <u>(14,791)</u> | <u>(2,909)</u> |
| Net change in cash and cash equivalents | 80,401 | 48,843 |
| Cash and cash equivalents, beginning of year | <u>558,849</u> | <u>510,006</u> |
| Cash and cash equivalents, end of year | <u>\$639,250</u> | <u>\$558,849</u> |

The accompanying summary of significant accounting policies
and notes are an integral part of these financial statements

HOUSING & CREDIT COUNSELING, INC.

Summary of Significant Accounting Policies December 31, 2012 and 2011

Nature of Activities

Housing & Credit Counseling, Inc. is a not-for-profit organization incorporated under the laws of the state of Kansas on April 13, 1973. The main purpose of the Organization is to:

- Facilitate and foster safe, adequate and affordable housing for low and moderate income families.
- Conduct counseling relative to personal money management and act as a conduit in assisting clients with debt reduction payments.
- Publicize and distribute literature and conduct seminars relative to tenants and landlord rights and laws, personnel budgeting, consumer credit and home ownership.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments

Investments consist of a money market account and certificates of deposit. Interest on investments is reflected in the statement of activities.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for bad debt based on its assessment of the current status of accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for bad debt and a credit to accounts receivable.

HOUSING & CREDIT COUNSELING, INC.

Summary of Significant Accounting Policies December 31, 2012 and 2011

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged against income in the period incurred. Management annually reviews these assets to determine whether carrying values have been impaired.

Depreciation is computed using the straight-line method for financial reporting purposes.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains its cash balances at several financial institutions located in Topeka, Kansas. The balances are insured by the Federal Deposit Insurance Corporation.

Economic Dependency

The Organization receives its support from various governmental programs, grants, contributions and program income. A significant reduction in the level of any of this support, if this were to occur, might have substantial impact on the Organization's activities.

HOUSING & CREDIT COUNSELING, INC.

Summary of Significant Accounting Policies December 31, 2012 and 2011

Advertising

Advertising costs are expensed in the year incurred.

Income Taxes

No provision for income taxes has been made as the Organization is exempt from such taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization.

The Organization files income tax returns in the U.S. federal and Kansas jurisdictions. The Organization is generally no longer subject to federal and state income tax examinations by taxing authorities for years before 2009. There are currently no examinations of the Organization's income tax returns in progress.

HOUSING & CREDIT COUNSELING, INC.

Notes to Financial Statements December 31, 2012 and 2011

1. Cash and Investments

The Organization had the following cash and investments at December 31:

| | <u>2012</u> | <u>2011</u> |
|--|--------------------|--------------------|
| Cash: | | |
| Checking/Sweep | \$638,900 | \$ 558,499 |
| Change fund | <u>350</u> | <u>350</u> |
| Total cash | <u>639,250</u> | <u>558,849</u> |
| Investments: | | |
| Certificate of deposit, interest at .1%, maturing January 2013 | 51,560 | |
| Certificate of deposit, interest at .05%, maturing July 2013 | 27,906 | |
| Certificate of deposit, interest at 1%, maturing August 2013 | 235,390 | |
| Certificate of deposit, interest at .5%, maturing June 2013 | 200,934 | |
| Certificate of deposit, interest at 1%, maturing June 2012 | | 199,229 |
| Certificate of deposit, interest at 1%, maturing August 2012 | | 233,048 |
| Certificate of deposit, interest at .1%, maturing March 2012 | | 51,534 |
| Certificate of deposit, interest at .05%, maturing March 2012 | | 27,888 |
| Money market account | <u>16,744</u> | <u>16,710</u> |
| Total investments | <u>532,534</u> | <u>528,409</u> |
| Total cash and investments | <u>\$1,171,784</u> | <u>\$1,087,258</u> |

The sweep account is backed by Federal Agency securities.

2. Retirement Plan

The Organization has a 403(b) retirement plan covering all employees. Employees may elect to contribute a portion of their wages, subject to percentage limitations established by the Internal Revenue Service. The Organization matched the employee contributions up to an employer contribution cap of 5%, per policy guidelines, in 2012 and 2011. The employer contribution expense was \$8,116 and \$9,885 for 2012 and 2011.

| <u>Years of Employment</u> | <u>% of Vesting</u> |
|----------------------------|---------------------|
| 2 years | 20% |
| 3 years | 40% |
| 4 years | 60% |
| 5 years | 80% |
| 6 years | 100% |

HOUSING & CREDIT COUNSELING, INC.

Notes to Financial Statements December 31, 2012 and 2011

3. Leases

The Organization leases various office equipment and office space under operating leases expiring through January 2015.

Minimum future rental payments under these noncancelable operating leases are:

| | |
|-------------------------|------------------|
| Year ended December 31, | |
| 2013 | \$ 37,755 |
| 2014 | 6,960 |
| 2015 | <u>580</u> |
| Total | \$ <u>45,295</u> |

Lease expense was \$41,768 and \$33,385 for 2012 and 2011.

4. Subsequent Events

The Organization has evaluated subsequent events through May 14, 2013, the date the financial statements were available to be issued.