

## 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, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related summary of significant accounting policies and 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, 2015 and 2014, 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 P.A.*

Certified Public Accountants

May 2, 2016  
Topeka, Kansas

# HOUSING & CREDIT COUNSELING, INC.

## Statements of Financial Position December 31,

### Assets

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 68,746	\$ 239,514
Investments	994,142	910,562
Accounts receivable	8,848	7,620
Grants receivable	78,926	41,829
Prepaid expenses	7,757	8,693
Property and equipment, at cost, less accumulated depreciation of \$220,772 and \$218,539 for 2015 and 2014	<u>1,283</u>	<u>3,516</u>
Total assets	<u>\$1,159,702</u>	<u>\$1,211,734</u>

### Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ -	\$ 4,419
Accrued payroll and benefits	<u>49,001</u>	<u>45,017</u>
Total liabilities	<u>49,001</u>	<u>49,436</u>
Net assets:		
Unrestricted	<u>1,110,701</u>	<u>1,162,298</u>
Total net assets	<u>1,110,701</u>	<u>1,162,298</u>
Total liabilities and net assets	<u>\$1,159,702</u>	<u>\$1,211,734</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>2015</u>	<u>2014</u>
Revenue:		
Grant revenue:		
Federal	\$ 55,971	\$ 74,450
Other governmental support	158,907	164,830
United Way	192,056	256,507
Other grants	159,453	152,116
Program revenues:		
Consumer credit counseling – Creditor contributions	36,943	49,642
Underwriting, consulting and registrations	263,748	169,186
Consumer credit counseling – Client fees and contributions	74,829	83,662
Publications	1,406	1,860
Fundraising	52,575	63,749
Interest and dividends	21,640	32,382
Realized gains	<u>6,971</u>	<u>        </u>
	<u>1,024,499</u>	<u>1,048,384</u>
Expenses:		
Program services	805,446	866,817
Supporting services:		
Management and general	165,939	140,199
Fundraising	<u>63,813</u>	<u>66,649</u>
	<u>1,035,198</u>	<u>1,073,665</u>
Change in net assets before unrealized loss	10,699	25,281
Unrealized loss	(40,898)	(5,106)
Net assets, beginning of year	<u>1,162,298</u>	<u>1,192,685</u>
Net assets, end of year	<u>\$1,110,701</u>	<u>\$1,162,298</u>

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

# HOUSING & CREDIT COUNSELING, INC.

## Statements of Functional Expenses Years Ended December 31,

	2015				2014			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Compensation and related expenses:								
Compensation	\$591,278	\$ 26,126	\$ 55,956	\$ 673,360	\$543,395	\$ 26,902	\$ 53,865	\$ 624,162
Employee benefits	18,440	815	1,745	21,000	48,908	2,421	4,848	56,177
Payroll taxes	<u>55,568</u>	<u>2,455</u>	<u>5,259</u>	<u>63,282</u>	<u>51,267</u>	<u>2,538</u>	<u>5,082</u>	<u>58,887</u>
	665,286	29,396	62,960	757,642	643,570	31,861	63,795	739,226
Professional services	52,417	45,535	227	98,179	88,268	39,312	47	127,627
Printing	8,485	12,796	449	21,730	26,069	514	413	26,996
Occupancy	362	34,229		34,591	7,085	27,304	25	34,414
Dues and subscriptions	16,942	3,705		20,647	17,596	2,561		20,157
Telephone	3,281	15,855		19,136	6,256	12,682		18,938
Miscellaneous	1,897	2,636	76	4,609	960	7,413	1,548	9,921
Insurance and bonds	11,540	2,036		13,576	10,206	1,801		12,007
Depreciation	1,898	335		2,233	3,267	576		3,843
Advertising	24,116	3,586		27,702	28,854	1,521	595	30,970
Consumable supplies	11,222	6,915	64	18,201	23,011	7,968	179	31,158
Repairs and maintenance	2,178	384		2,562	3,187	562		3,749
Postage	1,721	646	22	2,389	2,247	1,272	47	3,566
Travel	3,293	6,614	15	9,922	5,970	3,565		9,535
Conferences and training	<u>809</u>	<u>1,270</u>	<u>      </u>	<u>2,079</u>	<u>271</u>	<u>1,287</u>	<u>      </u>	<u>1,558</u>
	<u>\$805,446</u>	<u>\$165,939</u>	<u>\$ 63,813</u>	<u>\$1,035,198</u>	<u>\$866,817</u>	<u>\$140,199</u>	<u>\$ 66,649</u>	<u>\$1,073,665</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>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (51,597)	\$ (30,387)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,233	3,843
Realized and unrealized loss on investments	33,927	5,106
Changes in assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts and grants receivable	(38,325)	2,429
Prepaid expenses	936	(2,093)
Increase (decrease) in operating liabilities:		
Accounts payable	(4,419)	(2,950)
Accrued payroll and taxes	<u>3,984</u>	<u>776</u>
Net cash used in operating activities	<u>(53,261)</u>	<u>(23,276)</u>
Cash flows from investing activities:		
Purchase of investments	(408,272)	(1,788,839)
Proceeds from sale of investments	<u>290,765</u>	<u>1,408,921</u>
Net cash used in investing activities	<u>(117,507)</u>	<u>(379,918)</u>
Net change in cash and cash equivalents	(170,768)	(403,194)
Cash and cash equivalents, beginning of year	<u>239,514</u>	<u>642,708</u>
Cash and cash equivalents, end of year	\$ <u>68,746</u>	\$ <u>239,514</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, 2015 and 2014**

#### **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. The Organization provides information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

#### **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 money market accounts, certificates of deposit, mutual funds, and exchange traded funds. Investments are stated at fair value. Realized and unrealized gains and losses, dividends, and interest on investments are reflected in the statement of activities.

Investment securities are exposed to various risks, such as interest rate, market fluctuation, and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term could materially affect investments and the amounts reported in the statements of financial position.

#### **Fair Value Measurement**

Assets recorded at fair value on the balance sheet are categorized based upon the level of observability associated with the inputs used to measure their fair value. Fair value is defined as the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The availability of observable inputs is affected by a variety of factors, including the type of asset and the transparency of market transactions. To the extent that fair value is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

## HOUSING & CREDIT COUNSELING, INC.

### Summary of Significant Accounting Policies December 31, 2015 and 2014

#### **Fair Value Measurement** (Continued)

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs are unobservable and significant to the asset, and include situations where there is little, if any, market activity.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants used to make valuation decisions, including assumptions about risk. Inputs may include market price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The classification of a financial asset within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to management’s perceived risk of that fund.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2015, there were no significant transfers in or out of Levels 1, 2 or 3.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

#### Certificates of Deposit

Certificates of deposit are stated at cost, which approximates fair value.

#### Mutual Funds

Mutual funds are valued at the net asset value of shares held on the measurement date and are classified as a Level 1 input in the fair value hierarchy.

#### Exchange Traded Funds

Exchange traded funds are valued at the quoted market prices based on the last sale price on the measurement date and are classified as a Level 1 input in the fair value hierarchy.

## **HOUSING & CREDIT COUNSELING, INC.**

### **Summary of Significant Accounting Policies** **December 31, 2015 and 2014**

#### **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.

#### **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. Cash balances are generally within federally insured limits.



## **HOUSING & CREDIT COUNSELING, INC.**

### **Summary of Significant Accounting Policies** **December 31, 2015 and 2014**

#### **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.

#### **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. Organization's income tax returns in progress.

## HOUSING & CREDIT COUNSELING, INC.

### Notes to Financial Statements December 31, 2015 and 2014

#### 1. Cash and Investments

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

	<u>2015</u>	<u>2014</u>
Cash:		
Checking/Sweep	\$ 68,624	\$239,264
Change fund	<u>122</u>	<u>250</u>
Total cash	<u>\$ 68,746</u>	<u>\$239,514</u>

The sweep account is backed by Federal Agency securities.

The following is a summary of investments (all Level 1) by investment objective at December 31:

	<u>2015</u>	<u>2014</u>
Money market	\$ 61,307	\$ 69,148
Mutual funds	515,445	686,368
Exchange traded funds	<u>417,390</u>	<u>155,046</u>
Total investments	<u>\$994,142</u>	<u>\$910,562</u>

#### 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 2015 and 2014. The employer contribution expense was \$9,647 and \$7,218 for 2015 and 2014.

#### 3. Leases

The Organization leases various office equipment and office space under operating leases expiring through January 2018.

Minimum future rental payments under these noncancelable operating leases are:

Year ended December 31,	
2016	\$ 5,100
2017	5,100
2018	<u>425</u>
Total	<u>\$ 10,625</u>

Lease expense was \$34,662 and \$41,250 for 2015 and 2014.

## HOUSING & CREDIT COUNSELING, INC.

### Notes to Financial Statements December 31, 2015 and 2014

#### **4. Subsequent Events**

The Organization has evaluated subsequent events through May 2, 2016, the date the financial statements were available to be issued.