



MIZE & HOUSER  
COMPANY P.A.

### Independent Auditors' Report

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

We have audited the accompanying statement of assets and net assets – modified cash basis – of Housing & Credit Counseling, Inc. as of December 31, 2010, and the related statements of revenues, expenses and changes in net assets – modified cash basis, and functional expenses – modified cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the summary of significant accounting policies, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of Housing & Credit Counseling, Inc. as of December 31, 2010, and revenues, expenses and changes in net assets and its functional expenses for the year then ended in conformity with the modified cash basis of accounting.

*Mize Houser & Company P.A.*

Certified Public Accountants

May 19, 2011  
Topeka, Kansas

**HOUSING & CREDIT COUNSELING, INC.**

Statement of Assets and Net Assets  
Modified Cash Basis  
December 31, 2010

Assets

Cash and cash equivalents	\$ 510,006
Investments	525,500
Property and equipment, at cost, less accumulated depreciation of \$242,179	<u>28,504</u>
Total assets	<u>\$1,064,010</u>

Net Assets

Net assets:	
Unrestricted	<u>\$1,064,010</u>
Total net assets	<u>\$1,064,010</u>

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

## HOUSING & CREDIT COUNSELING, INC.

### Statement of Revenues, Expenses and Changes in Net Assets Modified Cash Basis Year Ended December 31, 2010

Revenue:	
Grant revenue:	
Federal	\$ 150,410
Other governmental support	169,283
United Way	71,771
Other grants	118,264
Program revenues:	
Consumer credit counseling – Creditor contributions	158,499
Underwriting, consulting and registrations	228,826
Consumer credit counseling – Client fees and contributions	242,449
Publications	2,769
Fundraising	56,581
Investment income	<u>2,329</u>
	<u>1,201,181</u>
Expenses:	
Program services	895,508
Supporting services:	
Management and general	106,025
Fundraising	<u>45,110</u>
	<u>1,046,643</u>
Change in net assets before unrealized loss on investments	154,538
Unrealized loss on investments	<u>(247)</u>
Change in net assets	154,291
Net assets, beginning of year	<u>909,719</u>
Net assets, end of year	<u>\$1,064,010</u>

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and notes are an integral part of these financial statements

## HOUSING & CREDIT COUNSELING, INC.

Statement of Functional Expenses  
Modified Cash Basis  
Year Ended December 31, 2010

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses:				
Compensation	\$ 565,985	\$ 67,010	\$ 28,511	\$ 661,506
Payroll taxes	50,796	6,014	2,559	59,369
Employee benefits	<u>44,575</u>	<u>5,278</u>	<u>2,245</u>	<u>52,098</u>
	661,356	78,302	33,315	772,973
Professional services	98,755	11,692	4,975	115,422
Dues and subscriptions	19,940	2,361	1,004	23,305
Telephone	19,106	2,262	962	22,330
Printing	18,448	2,184	930	21,562
Depreciation	11,488	1,360	579	13,427
Consumable supplies	11,174	1,323	563	13,060
Client assistance	10,295	1,219	519	12,033
Insurance and bonds	9,821	1,163	494	11,478
Occupancy	7,404	877	372	8,653
Advertising	6,888	815	347	8,050
Repairs and maintenance	3,589	425	181	4,195
Travel	3,327	394	168	3,889
Postage	3,270	387	165	3,822
Conferences and training	2,294	272	115	2,681
Miscellaneous	<u>8,353</u>	<u>989</u>	<u>421</u>	<u>9,763</u>
	<u>\$ 895,508</u>	<u>\$106,025</u>	<u>\$ 45,110</u>	<u>\$1,046,643</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 Year Ended December 31, 2010

### **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 Organization prepares its financial statements on the modified cash basis of accounting. That basis differs from accounting principles generally accepted in the United States of America primarily because revenues are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred. Prior to 2010, the Organization prepared its financial statements on an accrual basis of accounting. The effect of the change was a reduction of net assets of \$25,288 at January 1, 2010.

### **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.

### **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 2007. There are currently no examinations of the Organization's income tax returns in progress.

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

### Summary of Significant Accounting Policies Year Ended December 31, 2010

#### **Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **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.

#### **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, could have substantial impact on the Organization's activities.

#### **Concentration of Credit Risk**

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

#### **Advertising**

Advertising costs are expensed in the year incurred.

# HOUSING & CREDIT COUNSELING, INC.

## Notes to Financial Statements Year Ended December 31, 2010

### 1. Cash and Investments

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

	<u>2010</u>
Cash:	
Checking/Sweep	\$ 509,656
Change fund	<u>350</u>
Total cash	<u>510,006</u>
Investments:	
Certificate of deposit, interest at .1%, maturing April 2011	201,784
Certificate of deposit, interest at .05%, maturing July 2011	27,879
Certificate of deposit, interest at 1%, maturing August 2011	130,880
Certificate of deposit, interest at .5%, maturing June 2011	98,379
Mutual funds	<u>66,578</u>
Total investments	<u>525,500</u>
 Total cash and investments	 <u>\$1,035,506</u>

The fair values of investments are based on the estimate of the amount expected to be realized if investments are sold or otherwise disposed of in an orderly transaction within a reasonable period of time. Fair value is determined using various levels of “inputs.” When available, quoted market prices in the active market for identical assets (Level 1 inputs) are used to determine fair value. If quoted market prices are not available, the Company uses valuation techniques that place greater reliance on other observable factors (Level 2 inputs) and unobservable factors (Level 3 inputs). Certificates of deposit and mutual funds are valued using Level 1 inputs.

### 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 2010. The employer contribution expense was \$11,559 in 2010.

<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  
Year Ended December 31, 2010

**3. Leases**

The Organization leases various office equipment and office space under operating leases expiring through October 2012.

Minimum future rental payments under these noncancelable operating leases are:

Year ended December 31,	
2011	\$ 10,656
2012	<u>3,048</u>
Total minimum future rental payments	<u>\$ 13,704</u>

Lease expense was \$13,929 in 2010.

**4. Subsequent Events**

The Organization has evaluated subsequent events through May 19, 2011, the date the financial statements were available to be issued.