

**NATIONAL COLLEGE ADVISING CORPS, INC.**

Chapel Hill, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018



## CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	2-3
Exhibits:	
"A" Statements of Financial Position	4
"B" Statements of Activities and Changes in Net Assets	5-6
"C" Statements of Cash Flows	7
"D" Statement of Functional Expenses	8
Notes to Financial Statements	9-17
Schedule of Expenditures of Federal Awards	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	21-23
Schedule of Findings and Questioned Costs	24-27
Schedule of Prior Findings and Questioned Costs	28-30

Carla G. Daniel, EA  
Andrea W. Eason, CPA, CGMA  
Robin H. McDuffie, CPA, CGMA  
M. Neely McLaughlin, CPA, MBA, CGMA  
Joan C. Pharr, CPA, CGMA  
Deetra B. Watson, CPA, CGMA



MEMBERS:  
American Institute of  
Certified Public Accountants  
  
North Carolina Association of  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
National College Advising Corps, Inc.  
Chapel Hill, North Carolina

We have audited the accompanying financial statements of National College Advising Corps, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

**BLACKMAN & SLOOP, CPAS, P.A.**

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530

The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517

www.b-scpa.com • email:cpa@b-scpa.com

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National College Advising Corps, Inc., as of June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

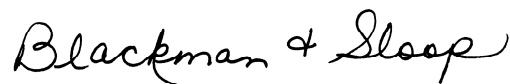
We have previously audited National College Advising Corps, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 21, 2019. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters******Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2020, on our consideration of National College Advising Corps, Inc.'s, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 National College Advising Corps, Inc., Inc.'s internal control over financial reporting and compliance.



Chapel Hill, North Carolina  
March 27, 2020



## NATIONAL COLLEGE ADVISING CORPS, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2019 and 2018

EXHIBIT B

Page 1 of 2

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
<b>SUPPORT AND REVENUE:</b>				
Private foundations and public funds	\$ 766,347	\$ 17,535,712	\$ 18,302,059	\$ 6,474,699
Contributions	38,505	3,520,102	3,558,607	2,482,497
In-kind contributions	32,783	7,887	40,670	5,680
Governmental grants	-	4,162,500	4,162,500	337,431
Contract income	28,000	593,731	621,731	-
Program income	26,506	-	26,506	207,780
Interest income	187	-	187	725
Miscellaneous income	-	-	-	5,104
	<u>892,328</u>	<u>25,819,932</u>	<u>26,712,260</u>	<u>9,513,916</u>
Net assets released from restrictions	<u>20,343,824</u>	<u>(20,343,824)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>21,236,152</u>	<u>5,476,108</u>	<u>26,712,260</u>	<u>9,513,916</u>
<b>EXPENSES:</b>				
Program	20,957,035	-	20,957,035	16,717,994
Management and general	1,879,036	-	1,879,036	1,034,189
Fundraising	1,041,082	-	1,041,082	611,346
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>23,877,153</u>	<u>-</u>	<u>23,877,153</u>	<u>18,363,529</u>
Uncollectible accounts	<u>60,002</u>	<u>-</u>	<u>60,002</u>	<u>-</u>
<b>TOTAL EXPENSES</b>	<u>23,937,155</u>	<u>-</u>	<u>23,937,155</u>	<u>18,363,529</u>
<b>CHANGES IN NET ASSETS</b>	<u>(2,701,003)</u>	<u>5,476,108</u>	<u>2,775,105</u>	<u>(8,849,613)</u>
<b>NET ASSETS - BEGINNING OF PERIOD</b>	<u>(13,415,053)</u>	<u>18,839,389</u>	<u>5,424,336</u>	<u>14,273,949</u>
<b>NET ASSETS - END OF PERIOD</b>	<u>\$ (16,116,056)</u>	<u>\$ 24,315,497</u>	<u>\$ 8,199,441</u>	<u>\$ 5,424,336</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NATIONAL COLLEGE ADVISING CORPS, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended June 30, 2019 and 2018

Page 2 of 2

	2018		
	Without Donor Restrictions	With Donor Restrictions	Totals
<b>SUPPORT AND REVENUE:</b>			
Private foundations and public funds	\$ 125,623	\$ 6,349,076	\$ 6,474,699
Contributions	414,637	2,067,860	2,482,497
In-kind contributions	-	5,680	5,680
Governmental grants	-	337,431	337,431
Program income	100,000	107,780	207,780
Miscellaneous income	4,260	844	5,104
Interest income	725	-	725
	<u>645,245</u>	<u>8,868,671</u>	<u>9,513,916</u>
Net assets released from restrictions	<u>15,102,424</u>	<u>(15,102,424)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>15,747,669</u>	<u>(6,233,753)</u>	<u>9,513,916</u>
<b>EXPENSES:</b>			
Program	16,717,994	-	16,717,994
Management and general	1,034,189	-	1,034,189
Fundraising	611,346	-	611,346
	<u>18,363,529</u>	<u>-</u>	<u>18,363,529</u>
<b>CHANGES IN NET ASSETS</b>	<u>(2,615,860)</u>	<u>(6,233,753)</u>	<u>(8,849,613)</u>
<b>NET ASSETS - BEGINNING OF PERIOD (AS RESTATED)</b>	<u>(10,799,193)</u>	<u>25,073,142</u>	<u>14,273,949</u>
<b>NET ASSETS - END OF PERIOD</b>	<u><u>\$ (13,415,053)</u></u>	<u><u>\$ 18,839,389</u></u>	<u><u>\$ 5,424,336</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NATIONAL COLLEGE ADVISING CORPS, INC.

## STATEMENTS OF CASH FLOWS

EXHIBIT C

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,775,105	\$ (8,849,613)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	13,303	28,333
Donated occupancy, net of amortization	66,540	68,747
Amortization of the discount on note payable	(275,809)	-
Changes in assets and liabilities:		
Accounts receivable	10,554	61,797
Grants and contracts receivable, net	(2,798,786)	6,754,668
Prepaid expenses	(25,665)	(11,500)
Accounts payable	453,506	(449,793)
Accrued salaries and wages	76,003	40,320
Deferred rent	(4,222)	183
Grants payable	(575,470)	895,566
	<u>(284,941)</u>	<u>(1,461,292)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of software	<u>(58,108)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	<u>1,400,000</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,056,951	(1,461,292)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,791,789</u>	<u>3,253,081</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,848,740</u>	<u>\$ 1,791,789</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Donated occupancy	<u>\$ 74,427</u>	<u>\$ 74,427</u>
Donated legal services	<u>\$ 32,783</u>	<u>\$ -</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NATIONAL COLLEGE ADVISING CORPS, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018	
	Program Services	Management and General	Fundraising	Totals	Totals
Grants and contracts	\$ 14,182,442	\$ -	\$ -	\$ 14,182,442	\$ 11,953,228
Salaries, wages, and benefits	3,960,916	1,200,277	840,194	6,001,387	4,052,872
Travel and meetings	1,407,960	68,235	64,939	1,541,134	883,479
Professional fees	675,052	414,781	59,728	1,149,561	165,237
Occupancy	181,560	55,019	38,513	275,092	245,641
Equipment rental and maintenance	229,318	29,368	7,569	266,255	56,327
Evaluation and impact expenses	265,867	-	-	265,867	515,023
Uncollectible accounts	-	60,002	-	60,002	-
Staff development	37,366	17,843	1,479	56,688	71,497
Insurance	-	35,885	-	35,885	22,011
Memberships and subscriptions	3,005	18,393	21,790	43,188	22,875
Interest expense	-	22,043	-	22,043	-
Depreciation	8,780	2,661	1,862	13,303	28,333
Communications	-	5,568	4,455	10,023	10,386
Printing and copying	1,720	4,205	446	6,371	2,498
Service fees	-	4,682	-	4,682	5,538
Advertising	3,049	76	107	3,232	2,345
Technology	-	-	-	-	325,147
Miscellaneous	-	-	-	-	1,092
<b>Total expenses</b>	<b>\$ 20,957,035</b>	<b>\$ 1,939,038</b>	<b>\$ 1,041,082</b>	<b>\$ 23,937,155</b>	<b>\$ 18,363,529</b>
Less uncollectible accounts	-	(60,002)	-	(60,002)	-
<b>Total functional expenses</b>	<b>\$ 20,957,035</b>	<b>\$ 1,879,036</b>	<b>\$ 1,041,082</b>	<b>\$ 23,877,153</b>	<b>\$ 18,363,529</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**NATIONAL COLLEGE ADVISING CORPS, INC.****NOTES TO FINANCIAL STATEMENTS**

Page 1 of 9

**NATURE OF ACTIVITIES**

The National College Advising Corps, Inc. (the “Organization”) is a nonprofit organization that works to increase the number of first-generation, low-income, and/or underrepresented students who apply, enter, and complete college. To fulfill this mission, the organization places well-trained recent college graduates from partner universities of higher education as full-time college advisers in the nation’s underserved high schools.

The Organization traces its roots to 2005 at the University of Virginia. The pilot project was a success as many Virginia colleges reported increases in applications from high schools served by the Organization’s advisers. In March 2007, the Organization moved its headquarters to the University of North Carolina at Chapel Hill. In 2013, the Organization became an independent, nonprofit organization. Since its inception, the Organization has served over 1 million students in high schools across America. Today, with over 700 advisers, the Organization serves students in 17 states, in high schools in both rural and urban areas.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Basis of Accounting.**

The Organization’s financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires the use of certain estimates made by the Organization’s management. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

The Organization reports gifts of cash and other assets as support 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

**B. Cash and Cash Equivalents.**

Cash and cash equivalents consist of monies on deposit at financial institutions, and other highly liquid financial investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. At times, the Organization places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Organization has not experienced any financial loss related to such deposits.

## NATIONAL COLLEGE ADVISING CORPS, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 2 of 9

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## C. Accounts, Grants, and Contracts Receivables.

Accounts, grants, and contracts receivables are recorded at net realizable value. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in collection. The allowance is based on historical collection experience and a review by management of the current status of the existing receivables. As of June 30, 2019 and 2018, all receivables were deemed collectible by management.

## D. Occupancy Receivable.

The Organization leases the building used for operations at a rate less than market value. The lease expires June 30, 2021. The contribution, which is the difference in the market value and the amount of the lease, is recorded at the net present value. The occupancy receivable is amortized over the term of the lease. Donated rent expense of \$74,427 is recognized annually in the statements of activities and changes in net assets.

## E. Property and Equipment.

Property and equipment are stated at cost for purchased assets and at market value on the date of the gift for donated assets. Property and equipment are capitalized if the life is expected to be greater than one year and if the cost exceeds \$5,000. Depreciation is calculated using the straight-line method over estimated lives of 3 or 5 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

## F. Revenue Recognition.

Revenue from contracts which are deemed to be an exchange transaction is recognized as revenue without donor restrictions at the time the reimbursable expenses are incurred. Deferred revenue from exchange transactions results when cash receipts exceed revenue recognized. Direct expenses of contracts and grants are charged to programs when incurred.

Revenue from grants which are deemed to be an unconditional contribution is recognized when the grantor makes a promise to give to the Organization. Contributions that are restricted by the grantor are reported as increases in net assets with donor restrictions. Conditional grant revenues are recognized when the conditions upon which they depend are substantially met.

## NATIONAL COLLEGE ADVISING CORPS, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 3 of 9

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## G. Grant Awards.

Grant awards are recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

## H. Donated Services and Facilities.

Contributions of donated services and facilities are recorded as support at market value in the period received.

## I. Net Assets.

Net assets, support and revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## J. Advertising.

The Organization expenses advertising costs as incurred. Advertising expense totaled \$3,232 and \$2,345, for the years ended June 30, 2019 and 2018, respectively.

## K. Income Taxes.

National College Advising Corps, Inc., is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act. If applicable, the Organization reports any interest and penalties for unrecognized tax positions as miscellaneous expense.

## NATIONAL COLLEGE ADVISING CORPS, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 4 of 9

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## L. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## M. New Accounting Pronouncement.

In August 2016, The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and adjusted the presentation of the accompanying financial statements accordingly.

**LIQUIDITY AND AVAILABILITY**

The Organization’s financial assets available within one year of the statement of financial position date for general expenditure (i.e., without donor or other restrictions limiting their use) comprise of the following:

Liquid current financial assets:	
Cash and cash equivalents	\$ 2,848,740
Accounts receivable	4,950
Grants and contracts receivable - current	<u>12,378,381</u>
	<u>15,232,071</u>
Less amounts unavailable for general expenditures within one year, due to:	
Restrictions by donors or time	<u>(14,642,337)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 589,734</u>

## NATIONAL COLLEGE ADVISING CORPS, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 5 of 9

**LIQUIDITY AND AVAILABILITY (CONTINUED)**

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Contributions without restrictions received by the Organization are considered income for general expenditure use. When available, the Organization may choose to invest cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

**GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable at June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 12,378,381	\$ 15,484,440
Receivable in one to five years	<u>6,724,944</u>	<u>633,333</u>
Total gross grants receivable	19,103,325	16,117,773
Discount at a rate of 2.8% and 3.4%, respectively	<u>(201,609)</u>	<u>(14,843)</u>
Net present value of grants and contracts receivable	<u>\$ 18,901,716</u>	<u>\$ 16,102,930</u>

Net grants and contracts receivable are presented on the statements of financial position under the following captions:

	<u>2019</u>	<u>2018</u>
Current assets:		
Grants and contracts receivable	\$ 12,378,381	\$ 15,484,440
Noncurrent assets:		
Grants and contracts receivable, net	<u>6,523,335</u>	<u>618,490</u>
Total grants and contracts receivable	<u>\$ 18,901,716</u>	<u>\$ 16,102,930</u>

On January 19, 2017, the Organization received a conditional grant to receive \$500,000, over a four-year period. The Organization received \$200,000 in Year 1 with the potential to receive up to \$150,000 in Year 2, \$100,000 in Year 3, and \$50,000 in Year 4. The funds are conditional on the donor raising a specified amount. The donor met this condition and the Organization recognized \$100,000 and \$150,000, in revenue for the years ended June 30, 2019 and 2018, respectively. The remaining amount will be recognized as the conditions are met in 2020.

**NATIONAL COLLEGE ADVISING CORPS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Page 6 of 9

**GRANTS AND CONTRACTS RECEIVABLE (CONTINUED)**

On January 2, 2018, the Organization received a conditional grant to receive \$597,766, over a three-year period. The Organization received \$25,000 in Year 1 with the potential to receive up to \$342,737 in Year 2 and \$230,029 in Year 3. The funds are conditional on the donor raising a specified amount. The Organization recognized \$342,737 and \$25,000, in revenue for the years ended June 30, 2019 and 2018, respectively. The remaining amount will be recognized as the conditions are met in 2020. The Organization has been informed of other intentions to give totaling \$15 million over the next seven years. Such intentions to give are not recorded as grants receivables until they become unconditional.

**RETIREMENT PLAN**

Effective February 1, 2014, the Organization established a 401(k) plan that is operated as a safe harbor 401(k) plan. The plan covers all employees at the time of hire. The Organization matches 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. The contributions are fully vested at the time the contribution is made. Employer contributions totaled \$71,682 and \$108,469, for the years ended June 30, 2019 and 2018, respectively.

**OPERATING LEASE**

The Organization entered into an operating lease agreement for office space in Chapel Hill, North Carolina, commencing July 1, 2014, and expiring June 30, 2018, with monthly payments of \$8,333. The agreement was amended October 20, 2016, to extend the lease to June 30, 2021, and again on May 3, 2017, to provide for additional space. The monthly rent was increased effective July 1, 2018, to \$11,500 and increases to \$11,600 on July 1, 2020. Rent expense for the years ended June 30, 2019 and 2018, totaled \$133,778.

Minimum lease payments in accordance with the amended agreement are as follows:

<u>Year ending June 30,</u>	
2020	\$ 138,000
2021	<u>139,200</u>
Total minimum lease payments	<u><u>\$ 277,200</u></u>

**NOTE PAYABLE**

The Organization entered into a loan agreement with a private lender in February 2019 for \$1,400,000 with an interest rate of 0%. At June 30, 2019, the Organization's note payable balance was \$1,400,000 with a maturity date of February 2024. Payments of \$200,000 begin March 2021 and continue annually until the termination of the note. The outstanding note balance at June 30, 2019, was \$1,400,000. At June 30, 2019, the notes payable are carried at the present value of \$1,124,191 in the accompanying financial statements.

**NATIONAL COLLEGE ADVISING CORPS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Page 7 of 9

**NOTE PAYABLE (CONTINUED)**

Principal maturities of the note are as follows:

<u>Year Ending June 30,</u>	
2020	\$ -
2021	200,000
2022	200,000
2023	200,000
2024	<u>800,000</u>
Total note payable	<u>\$ 1,400,000</u>

U.S. GAAP requires that the interest rate used to determine the present value of future payments of a loan should approximate the rate that an independent borrower and independent lender would have negotiated in a similar transaction. The difference between the stated interest rate and market interest rate for comparable financing arrangements represents a contribution. As such, the Organization has recorded the note payable at the commencement of the loan date based on the present value of future loan payments using an interest rate of 6%. The interest rate discount was recorded as support with donor restrictions totaling \$297,852 at June 30, 2019. At the end of each year, the Organization amortizes the discount on the note payable by recording interest expense and increasing the note payable using the effective interest method. At June 30, 2019, interest expense totaling \$22,043 is reflected in interest expense in the statement of functional expenses.

**DONATED SERVICES AND FACILITIES**

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by donation. The Organization received \$74,427 in donated facilities for the years ended June 30, 2019 and 2018. The Organization received \$32,783 of donated legal services for the year ended June 30, 2019. No such services were received for the year ended June 30, 2018. Additionally, numerous volunteers have donated significant amounts of their time and services to the Organization for program and supporting activities that have not been recognized in the accompanying financial statements.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy and depreciation expense which are allocated based on usage. Salaries, wages, and benefits are allocated on the basis of estimates of time and effort.

**NATIONAL COLLEGE ADVISING CORPS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Page 8 of 9

**CONCENTRATIONS**

The Organization recognized approximately 32% and 43% of total revenue for the years ended June 30, 2019 and 2018, respectively, from two grantors for various grants and contracts.

At June 30, 2019 and 2018, approximately 62% and 65% of grants and contract receivables were due from four grantors, respectively.

**CONTINGENCIES**

The Organization receives significant support from its grantors. Periodic audits of these grants are possible, and certain costs may be questioned as not being appropriate under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds are unlikely, and in any event would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies due to questioned costs.

**NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Purpose Restricted:		
To support the mission of increasing the number of first-generation, low-income, and/or underrepresented students who apply, enter, and complete college at partner universities at designated locations across America.	\$ 18,744,385	\$ 14,397,683
Time Restricted:		
Unrestricted grants receivable	5,432,308	4,236,362
Occupancy receivable	<u>138,804</u>	<u>205,344</u>
Total net assets with donor restrictions	<u>\$ 24,315,497</u>	<u>\$ 18,839,389</u>

**COMPARATIVE AMOUNTS**

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**NATIONAL COLLEGE ADVISING CORPS, INC.****NOTES TO FINANCIAL STATEMENTS**

Page 9 of 9

**RECLASSIFICATIONS**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements. Such reclassifications had no effect on net assets.

**SUBSEQUENT EVENTS**

In July 2019, The Organization established a nonqualified benefit plan (the “Plan”) for one of its executives under a *LifeComp* system. A life insurance policy is in place and is being used as the funding vehicle. The policy is jointly owned by the Organization and the executive. Annual premiums paid by the Organization will be treated as a loan receivable from the executive, and the executive will pay interest on the outstanding balance of the loan annually to the Organization. Total premium payments over the life of the Plan are expected to be \$1,675,000.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Management has evaluated subsequent events for recognition or disclosure through March 27, 2020, which was the date that the financial statements were available to be issued. Management did not identify any other events that occurred subsequent to year-end that require disclosure in the financial statements.

## NATIONAL COLLEGE ADVISING CORPS, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Total Expenditures	Expenditures to Subrecipients
<b>FEDERAL EXPENDITURES:</b>				
Corporation for National and Community Service:				
AmeriCorps Fixed Amount Grant	94.006	18EDHNC001	\$ 1,853,582	\$ 1,835,389
OneStar National Service Commission	94.006	17ESHTX001	<u>1,097,265</u>	<u>1,079,160</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 2,950,847</u>	<u>\$ 2,914,549</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of National College Advising Corps, Inc., under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). 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. Because the Schedule presents only a selected portion of the operations of National College Advising Corps, Inc., it is not intended and does not present the financial position, changes in net assets, or cash flows of the National College Advising Corps, Inc.

National College Advising Corps, Inc., has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Carla G. Daniel, EA  
Andrea W. Eason, CPA, CGMA  
Robin H. McDuffie, CPA, CGMA  
M. Neely McLaughlin, CPA, MBA, CGMA  
Joan C. Pharr, CPA, CGMA  
Deetra B. Watson, CPA, CGMA



MEMBERS:  
American Institute of  
Certified Public Accountants  
  
North Carolina Association of  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Page 1 of 2

Board of Directors  
National College Advising Corps, Inc.  
Chapel Hill, North Carolina

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 National College Advising Corps, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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 March 27, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered National College Advising Corps, Inc.'s internal control over financial reporting (internal control) to determine the 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 National College Advising Corps, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of National College Advising Corps, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-004 that we consider to be material weaknesses.

**BLACKMAN & SLOOP, CPAS, P.A.**

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530

The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517

www.b-scpa.com • email:cpa@b-scpa.com

**Compliance and Other Matters**

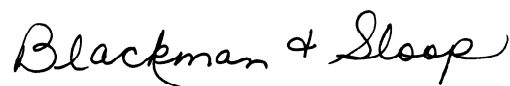
As part of obtaining reasonable assurance about whether National College Advising Corps, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

**Management's Response to Findings**

National College Advising Corps, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. National College Advising Corps, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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



Chapel Hill, North Carolina  
March 27, 2020

Carla G. Daniel, EA  
Andrea W. Eason, CPA, CGMA  
Robin H. McDuffie, CPA, CGMA  
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MEMBERS:  
American Institute of  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Page 1 of 3

Board of Directors  
National College Advising Corps, Inc.  
Chapel Hill, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited National College Advising Corps, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on National College Advising Corps, Inc.'s major federal program for the year ended June 30, 2019. National College Advising Corps, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the National College Advising Corps, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National College Advising Corps, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of National College Advising Corps, Inc.'s compliance.

**BLACKMAN & SLOOP, CPAS, P.A.**

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530

The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517

www.b-scpa.com • email:cpa@b-scpa.com

### ***Opinion on the Major Federal Program***

In our opinion, National College Advising Corps, Inc., 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 June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of National College Advising Corps, Inc., is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National College Advising Corps, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National College Advising Corps, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-005, to be a material weakness.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2019-005, that we consider to be a material weakness.

### ***Management's Response***

National College Advising Corps, Inc.'s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. National College Advising Corps, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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.

*Blackman & Sloop*

Chapel Hill, North Carolina  
March 27, 2020

**NATIONAL COLLEGE ADVISING CORPS, INC.****SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

Year Ended June 30, 2019

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of National College Advising Corps, Inc.
2. Material weaknesses relating to the audit of the financial statements are reported in the "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A material weakness relating to the audit of the major federal award program is reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance."
5. The auditor's report on compliance for the major federal award program for National College Advising Corps, Inc., expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.5516(a) are reported in this schedule.
7. The AmeriCorps Program (CFDA 94.006) was tested as a major program.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. National College Advising Corps, Inc., did not qualify as a low-risk auditee.

**B. Findings - Financial Statements Audit****2019-001 Address Deficit in Net Assets Without Donor Restrictions**

Prior year audit finding: 2018-001

*Condition and Criteria:* Net assets with donor restrictions are negative and have decreased by an additional \$3.2M as of June 30, 2019.

*Cause and Effect:* The Organization has been fortunate to be the recipient of significant contributions from donors to support the mission of the Organization and to fund adviser programs at specific partner universities. However, net assets without donor restrictions continue to be in a deficit position, which means net assets with donor restrictions are being utilized for general operations or unsupported partner universities.

## B. Findings - Financial Statements Audit (Continued)

### 2019-001 Address Deficit in Net Assets Without Donor Restrictions (Continued).

*Cause and Effect (Continued):* This is partly the result of recording time restricted promises to give to support operations as net assets without donor restrictions in accordance with U.S. GAAP and granting funds to partner universities before the supporting funds are received from donors. This is also due to the Organization supporting programs in accordance with its mission that are not funded by a specific donor.

*Recommendation:* To ensure the Organization's future financial viability, we continue to recommend the Organization implement strategies to secure contributions without donor restrictions to support the Organization's general operations and identify funders that are willing to fund specific partner universities or locations that are currently being supported solely by the Organization.

*Management Response:* In 2019, management implemented a new accounting system with more robust capabilities including the ability to record contributions and related expenses by classification (i.e. with donor restrictions, and without donor restrictions). As a result, tracking of restricted revenues and releases of donor restricted funds was significantly better as of June 30, 2019.

Management is actively working to address the deficit in net assets without donor restrictions. As this is a cumulative issue, it is anticipated that it will take a few years to fully correct this problem; however, management is developing strategic fundraising plans to remedy this situation as soon as possible.

### 2019-002 Improve Journal Entry and Accounting System Data Input Procedures

*Prior year audit finding:* 2018-002

*Condition and Criteria:* Due to growth of the Organization and the need to better account for the Organization's many funders, restrictions, and University Partners, the Organization implemented a new accounting system during FY19. The new accounting system is more robust and allows for better tracking to meet the Organization's needs. However, the transition to the new system resulted in several inaccuracies in the general ledger.

*Cause and Effect:* The implementation occurred more than halfway through the fiscal year during a time period in which there was a vacancy in the senior financial director/CFO position. This resulted in continued errors carrying forward into the new accounting system, requiring extensive cleanup and reconciliation at the end of the fiscal year. This created significant delays in the review and reconciliation of account balances.

*Recommendation:* We continue to recommend management prepare and maintain a rollforward of statement of financial position accounts that reconcile to the trial balance throughout the year. Monthly or quarterly reconciliations quickly identify errors and needed corrections and allow management to make decisions with accurate information.

*Management Response:* College Advising Corps is maintaining a rollforward of statement of financial position accounts and reconciling to the trial balance periodically throughout the year beginning in fiscal year 2020.

## B. Findings - Financial Statements Audit (Continued)

### 2019-003 Improve Grants Payable and Grants Awarded Tracking Schedule

*Prior year audit finding:* 2018-003

*Condition and Criteria:* As noted in prior years, the Organization does not have a proper tracking system that rolls forward grants payable balance that details grants awarded, paid, refunded, and any remaining outstanding balance. This lack of detailed tracking resulted in a number of issues with rolling forward the grants payable balance from the ending balance at June 30, 2018, to the ending balance at June 30, 2019.

*Cause and Effect:* The audit identified numerous variances between the subsidiary schedule and the general ledger as of June 30, 2019, that resulted in adjusting journal entries to properly state the grants payable and grant expense balances as of year end.

*Recommendation:* We continue to recommend management prepare and maintain a rollforward of grants payable that reconciles to the ending grants payable and grant expenses balances throughout the year. Preparation of such a rollforward will enable management to more quickly identify errors and partner institution funding shortages, as well as any accounting corrections that may need to be made to properly state financial statement balances and expenses charged to specific funders and reported on the Schedule of Expenditures of Federal Awards.

*Management Response:* In mid-2019, National College Advising Corps, Inc. moved to a new accounting system and implemented the Accounts Payable module to properly record on an accrual basis throughout the year. Tracking of grants payable was greatly improved for the year ended June 30, 2019, however errors arose due to shifting systems mid-year. Management is maintaining a rollforward of statement of financial position accounts and reconciling to the trial balance periodically throughout the year beginning in fiscal year 2020. This includes the grants payable and grant expense balances.

In FY19, the Organization moved to a new accounting system and implemented the A/R and A/P modules to properly record on an accrual basis throughout the year. Auditing of A/R and grants and contracts receivable were greatly improved for the year ended June 30, 2019. However, there were still several items of concern identified relating to grants payable.

### 2019-004 Maintain Adequate Supporting Documentation for Payroll Expense

*Prior year audit finding:* N/A

*Condition and Criteria:* Management was not able to provide adequate support for payroll expense recorded during the fiscal year. This was due to several transitions that occurred during the year including changes in the payroll provider, the payroll schedule, and internal staffing. The lack of adequate supporting documentation made the reconciliation to total payroll expense and benefits extremely difficult and time consuming.

## **B. Findings - Financial Statements Audit (Continued)**

### **2019-004 Maintain Adequate Supporting Documentation for Payroll Expense (Continued)**

*Cause and Effect:* As salaries, wages, and benefits make up approximately 25% of the Organization's total expenses and is the largest expense line item in the financial statements after grants and contracts expense, the accuracy and classification of payroll expenses is extremely important.

*Recommendation:* To ensure proper recording of payroll expense, we recommend management implement policies and procedures detailing the specific supporting documentation that should be maintained to adequately support total payroll expense and related liabilities and benefits recorded in the financial statements. Additionally, at least quarterly reconciliations should be performed between the quarterly 941s to the general ledger to ensure accuracy and proper classification of the expense.

*Management Response:* Management recognizes the importance of maintaining adequate and complete payroll files, thus has spent significant time working through unresponsive payroll providers to retrieve complete past records. National College Advising Corps, Inc. switched payroll companies as of October 2019 due to communication problems such as those faced with former payroll providers. As of March 2020, management has retrieved payroll files from prior payroll companies and systems and is now reconciling to the quarterly 941s periodically throughout the year.

## **C. Findings and Questioned Costs - Major Federal Award Programs Audit**

### **2019-005 Improve Grants Payable and Grants Awarded Tracking Schedule**

*Federal Program Information:* The AmeriCorps Program (CFDA – 94.006)

The material weakness identified at finding 2019-003 also applies to this program.

*Prior Year Audit Finding:* N/A

**NATIONAL COLLEGE ADVISING CORPS, INC.****SUMMARY OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2018

Page 1 of 3

**Prior Year Findings - Financial Statements Audit****2018-001** Proper Tracking of Restricted Revenue and Releases of Restriction*Prior year audit finding:* N/A

*Condition and Criteria:* Net assets with donor restrictions are negative and have decreased by an additional \$2M in the year ended June 30, 2018. After providing a draft to management, it was noted that net assets do not appear to have been properly classified to donors in the current and prior years. Due to these errors, the proper amount of funds were not released from restriction, resulting in negative unrestricted net assets over the years. Audit adjustments were made to restate beginning balances of unrestricted and temporarily restricted net assets.

*Cause and Effect:* It is important that the Organization's financial reporting system provide for the proper recording and collection of contributions, including the identification of any donor restrictions and the nature of the restrictions (for example, restricted for a donor-stipulated program). Some nonprofit organizations maintain a separate general ledger account or subsidiary ledger for each restricted contribution, gift, or grant. In addition, they maintain an elaborate chart of accounts to distinguish the source of contributions for programs and the related expenses. The account number may include code numbers by funding source, grant, program, and expense. A system such as this facilitates the proper presentation of the restricted contributions in the financial statements and compliance with the donor-imposed restrictions and monitoring of compliance. In addition, we recommend that the financial reporting system include controls to properly identify restrictions that lapse at a specified time or at the occurrence of a specified event (for example, term endowments) so the resources can be appropriately used and accounted for when they become unrestricted.

*Recommendation:* Due to the amount of restricted revenue the Organization receives, we recommend that management implement procedures to closely track restrictions and the expenses that release to those funds when donor restrictions have been met. The lack of careful classification of expenses can result in unrestricted and temporarily restricted net assets being significantly understated or overstated.

*Current Status:* In 2019, management implemented a new accounting system with more robust capabilities including the ability to record contributions and related expenses by classification (i.e. with donor restrictions, and without donor restrictions). As a result, tracking of restricted revenues and releases of donor restricted funds was significantly better as of June 30, 2019. However, the Organization continued to see a decline in net assets without donor restrictions. This will be a finding in the 2019 Schedule of Findings and Questioned Costs.

**Prior Year Findings - Financial Statements Audit (Continued)****2018-002 Improve Journal Entry and Accounting System Data Input Procedures**

*Prior year audit finding:* N/A

*Condition and Criteria:* During fiscal year 2018, the Organization used QuickBooks software to manage the general ledger. QuickBooks is user friendly and met the Organization's needs, however, the system allows for the deletion of entries and changes to be made to prior periods.

*Cause and Effect:* This resulted in changes to previously reported financial information and deletion of accounts and journal entries in the accounting system. Further, per discussions with the accounting staff, journal entries and inputs into QuickBooks were routinely changed after initial recording of activity and sometimes after the issuance of audited financial statements. Adjustments to the accounting system negate the validity of historical information.

*Recommendation:* It is our understanding the Organization will be moving to a new accounting system in fiscal year 2019. We recommend implementing proper authorization controls within the new accounting system to maintain a proper audit trail and reduce the risk of inadvertent or deliberate modification of data after the period has been closed.

*Current Status:* In 2019, management implemented a new accounting system and proper authorization controls within the system. Management also reviewed all prior period closing exceptions and verified that beginning balances are aligned with prior period ending balances. The transition to the new accounting system was not as smooth as intended resulting in significant time for accounting personnel to devote to researching and correcting identified errors made during and following the transition reconciling the statement of financial position account balances. This will be a finding in the 2019 Schedule of Findings and Questioned Costs.

**2018-003 Implementation of the A/P and A/R Modules in Accounting System**

*Prior year audit finding:* N/A

*Condition and Criteria:* The Organization's accounting system is maintained throughout the year primarily on a cash basis. Grant payments to partner institutions are recorded when disbursements are made versus when the liability is incurred. Grant awards from donors are recorded when checks are received versus when grant awards are made.

*Cause and Effect:* At year-end, the accounting department records outstanding grant payables and receivables for financial statement presentation. However, this methodology resulted in several audit adjustments to grants payable and receivables because of unrecorded agreements.

*Recommendation:* Based on our understanding of the Organization moving to a new accounting system in fiscal year 2019, we recommend implementing procedures to utilize the A/R and A/P modules within the new accounting system to properly track grant receivables and payables throughout the year. This will better reflect the actual financial status of the Organization throughout the year and not just at year-end, and will ensure that grant liabilities and receivables are not mistakenly overlooked.

**Prior Year Findings - Financial Statements Audit (Continued)****2018-003** Implementation of the A/P and A/R Modules in Accounting System (Continued).

*Current Status:* In FY19, the Organization moved to a new accounting system and implemented the A/R and A/P modules to properly record on an accrual basis throughout the year. Auditing of A/R and grants and contracts receivable were greatly improved for the year ended June 30, 2019. However, there were still several items of concern identified relating to grants payable. This finding will be carried forward to the 2019 Schedule of Findings and Questioned Costs.

**2018-004** Segregation of Electronic Transfers Process

*Prior year audit finding:* N/A

*Condition and Criteria:* The usage of electronic transfers has increased significantly during the year with the increased number of e-Advisors. Though not the policy, it was noted in the prior year that the CFO has the ability to initiate and release all electronic transfers.

*Cause and Effect:* The transfers are not subsequently reviewed, and sufficient information is not provided on the bank statement to determine the accuracy of the transfers during the CEO's monthly bank statement review process. There were no changes to this policy in the current year.

*Recommendation:* Based on this, we continue to recommend the implementation of a dual electronic transfer policy through the Organization's financial institution. The staff accountant would be given restricted bank account access to initiate the electronic transfers during the employee expense reimbursement review process. The transfer would only be released once reviewed and approved by the CFO. The implementation of this policy would improve the segregation of duties as it relates to electronic transfers and minimize the Organization's risk to misappropriation of assets.

*Current Status:* In FY19, management revised the review and approval procedures for electronic transfers and implemented the use of Expensify for expense tracking and reconciliation. CAC's financial institutions now require dual approval (initiator and approver) to release electronic fund transfers.

**Prior Year Findings – Major Federal Award Programs Audit**

None.



**To:** Corporation for National & Community Service  
250 E Street, SW  
Washington, DC 20525

**Date:** March 25, 2020

**Re:** Corrective Action Plan for Fiscal Year 2019

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To Whom It May Concern:

The following is our response to the Financial Statement Audit Findings and corrective action plan for each from our fiscal year 2019 audit.

**2019-001 Address Deficit in Net Assets Without Donor Restrictions**

**Prior year audit finding:** 2018-001

*Condition and Criteria:* Net assets with donor restrictions are negative and have decreased by an additional \$3.2M as of June 30, 2019.

*Cause and Effect:* The Organization has been fortunate to be the recipient of significant contributions from donors to support the mission of the Organization and to fund adviser programs at specific partner universities. However, net assets without donor restrictions continue to be in a deficit position, which means net assets with donor restrictions are being utilized for general operations or unsupported partner universities.

This is partly the result of recording time restricted promises to give to support operations as net assets without donor restrictions in accordance with U.S. GAAP and granting funds to partner universities before the supporting funds are received from donors. This is also due to the Organization supporting programs in accordance with its mission that are not funded by a specific donor.

*Recommendation:* To ensure the Organization's future financial viability, we continue to recommend the Organization implement strategies to secure contributions without donor restrictions to support the Organization's general operations and identify funders that are willing to fund specific partner universities or locations that are currently being supported solely by the Organization.

*Management Response:* In 2019, management implemented a new accounting system with more robust capabilities including the ability to record contributions and related expenses by classification (i.e. with donor restrictions, and without donor restrictions). As a result, tracking of restricted revenues and releases of donor restricted funds was significantly better as of June 30, 2019.

College Advising Corps is actively working to address the deficit in Net Assets Without Donor Restrictions. As this is a cumulative issue, it is anticipated that it will take a few years to fully correct this problem; however, College Advising Corps is developing strategic fundraising plans to remedy this situation as soon as possible.

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*Expected Completion Date & Responsible Party:* Tracking of net assets by restriction is already happening in FY20 and is the responsibility of the Senior Director of Finance.

### **2019-002 Improve Journal Entry and Accounting System Data Input Procedures**

**Prior year audit finding:** 2018-002

*Condition and Criteria:* Due to growth of the Organization and the need to better account for the Organization's many funders, restrictions, and University Partners, the Organization implemented a new accounting system during FY19. The new accounting system is more robust and allows for better tracking to meet the Organization's needs. However, the transition to the new system resulted in several inaccuracies in the general ledger.

*Cause and Effect:* The implementation occurred more than halfway through the fiscal year during a time period in which there was a vacancy in the senior financial director/CFO position. This resulted in continued errors carrying forward into the new accounting system, requiring extensive cleanup and reconciliation at the end of the fiscal year. This created significant delays in the review and reconciliation of account balances.

*Recommendation:* We continue to recommend management prepare and maintain a rollforward of statement of financial position accounts that reconcile to the trial balance throughout the year. Monthly or quarterly reconciliations quickly identify errors and needed corrections and allow management to make decisions with accurate information.

*Management Response:* College Advising Corps is maintaining a rollforward of statement of financial position accounts and reconciling to the trial balance periodically throughout the year beginning in fiscal year 2020.

*Expected Completion Date & Responsible Party:* This is completed and is the responsibility of the Senior Director of Finance.

### **2019-003 Improve Grants Payable and Grants Awarded Tracking Schedule**

**Prior year audit finding:** 2018-003

*Condition and Criteria:* As noted in prior years, the Organization does not have a proper tracking system that rolls forward grants payable balance that details grants awarded, paid, refunded, and any remaining outstanding balance. This lack of detailed tracking resulted in a number of issues with rolling forward the grants payable balance from the ending balance at June 30, 2018, to the ending balance at June 30, 2019.

*Cause and Effect:* The audit identified numerous variances between the subsidiary schedule and the general ledger as of June 30, 2019, that resulted in adjusting journal entries to properly state the grants payable and grant expense balances as of year end.

*Recommendation:* We continue to recommend that management prepare and maintain a rollforward of grants payable that reconciles to the ending grants payable and grant expenses

balances throughout the year. Preparation of such a rollforward will enable management to more quickly identify errors and partner institution funding shortages, as well as any accounting corrections that may need to be made to properly state financial statement balances and expenses charged to specific funders and reported on the Schedule of Expenditures of Federal Awards.

*Management Response:* In mid-2019, College Advising Corps moved to a new accounting system and implemented the Accounts Payable module to properly record on an accrual basis throughout the year. Tracking of Grants Payable was greatly improved for the year ended June 30, 2019, however errors arose due to shifting systems mid-year. College Advising Corps is maintaining a rollforward of statement of financial position accounts and reconciling to the trial balance periodically throughout the year beginning in fiscal year 2020. This includes the Grants Payable and grant expense balances.

In FY19, the Organization moved to a new accounting system and implemented the A/R and A/P modules to properly record on an accrual basis throughout the year. Auditing of A/R and grants and contracts receivable were greatly improved for the year ended June 30, 2019. However, there were still several items of concern identified relating to grants payable.

*Expected Completion Date & Responsible Party:* This is completed and is the responsibility of the Senior Director of Finance.

#### **2019-004 Maintain Adequate Supporting Documentation for Payroll Expense**

**Prior year audit finding:** n/a

*Condition and Criteria:* Management was not able to provide adequate support for payroll expense recorded during the fiscal year. This was due to several transitions that occurred during the year including changes in the payroll provider, the payroll schedule, and internal staffing. The lack of adequate supporting documentation made the reconciliation to total payroll expense and benefits extremely difficult and time consuming.

*Cause and Effect:* As salaries, wages, and benefits make up approximately 25% of the Organization's total expenses and is the largest expense line item in the financial statements after grants and contracts expense, the accuracy and classification of payroll expenses is extremely important.

*Recommendation:* To ensure proper recording of payroll expense, we recommend management implement policies and procedures detailing the specific supporting documentation that should be maintained to adequately support total payroll expense and related liabilities and benefits recorded in the financial statements. Additionally, at least quarterly reconciliations should be performed between the quarterly 941s to the general ledger to ensure accuracy and proper classification of the expense.

*Management Response:* College Advising Corps management recognizes the importance of maintaining adequate and complete payroll files, thus has spent significant time working through unresponsive payroll providers to retrieve complete past records. CAC switched payroll companies as of October 2019 due to communication problems like this with our former payroll provider. As of March 2020 CAC has retrieved payroll files from prior payroll companies and systems and is now reconciling to the quarterly 941s periodically throughout the year.

*Expected Completion Date & Responsible Party:* This will be completed by April 2020 and is the responsibility of the Senior Director of Finance.

**2019-005 Improve Grants Payable and Grants Awarded Tracking Schedule**

See corrective Action Plan for 2019-003