

NATIONAL COLLEGE ADVISING CORPS, INC.

Chapel Hill, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019



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" Statements of Functional Expenses	8-9
Notes to Financial Statements	10-20
Schedule of Expenditures of Federal Awards	21
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>	22-23
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	24-25
Schedule of Findings and Questioned Costs	26-28
Summary of Prior Audit Findings	29-31

Carla G. Daniel, EA
Andrea W. Eason, CPA, CGMA
Ben Johnson, CPA, MBA
Robin H. McDuffie, CPA, CGMA
M. Neely McLaughlin, CPA, MBA, 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, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2020 and 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.

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 29, 2021, 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.

Blackman & Sloop

Chapel Hill, North Carolina
March 29, 2021

NATIONAL COLLEGE ADVISING CORPS, INC.

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,739,517	\$ 2,848,740
Accounts receivable	34,323	4,950
Grants and contracts receivable - current	15,624,206	12,378,381
Occupancy receivable - current	70,374	74,427
Prepaid expenses	23,373	37,165
Other current assets	4,637	-
TOTAL CURRENT ASSETS	<u>17,496,430</u>	<u>15,343,663</u>
PROPERTY AND EQUIPMENT:		
Software	628,700	128,700
Furniture and fixtures	171,779	58,108
Less: accumulated depreciation	<u>(264,289)</u>	<u>(139,642)</u>
NET PROPERTY AND EQUIPMENT	<u>536,190</u>	<u>47,166</u>
OTHER ASSETS:		
Grants and contracts receivable - noncurrent, net	3,788,970	6,523,335
Occupancy receivable - noncurrent, net	-	64,377
Ownership interest in deferred compensation	<u>170,000</u>	<u>-</u>
TOTAL OTHER ASSETS	<u>3,958,970</u>	<u>6,587,712</u>
TOTAL ASSETS	<u>\$ 21,991,590</u>	<u>\$ 21,978,541</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 764,880	\$ 910,265
Grants payable	15,115,407	11,735,001
Deferred rent	5,421	4,222
Refundable grant advance	131,837	-
Current portion of note payable	<u>200,000</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>16,217,545</u>	<u>12,649,488</u>
NONCURRENT LIABILITIES:		
Deferred rent	-	5,421
Note payable - noncurrent, net	<u>992,542</u>	<u>1,124,191</u>
TOTAL NONCURRENT LIABILITIES	<u>992,542</u>	<u>1,129,612</u>
TOTAL LIABILITIES	<u>17,210,087</u>	<u>13,779,100</u>
NET ASSETS:		
Without donor restrictions	(17,998,306)	(16,116,056)
With donor restrictions	<u>22,779,809</u>	<u>24,315,497</u>
TOTAL NET ASSETS	<u>4,781,503</u>	<u>8,199,441</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,991,590</u>	<u>\$ 21,978,541</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, 2020 and 2019

Page 1 of 2

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
SUPPORT AND REVENUE:				
Private foundations and public funds	\$ 250,000	\$ 15,114,282	\$ 15,364,282	\$ 18,521,809
Contributions	74,842	2,985,287	3,060,129	3,338,857
In-kind contributions	-	5,997	5,997	40,670
Governmental grants	-	4,163,782	4,163,782	4,162,500
Contract income	23,500	564,721	588,221	621,731
Investment returns, net	15,963	41,258	57,221	187
Miscellaneous income	31,820	-	31,820	26,506
	<u>396,125</u>	<u>22,875,327</u>	<u>23,271,452</u>	<u>26,712,260</u>
Net assets released from restrictions	<u>24,411,015</u>	<u>(24,411,015)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>24,807,140</u>	<u>(1,535,688)</u>	<u>23,271,452</u>	<u>26,712,260</u>
EXPENSES:				
Program	23,324,995	-	23,324,995	20,957,036
Management and general	2,193,967	-	2,193,967	1,879,035
Fundraising	1,220,428	-	1,220,428	1,041,082
TOTAL FUNCTIONAL EXPENSES	<u>26,739,390</u>	<u>-</u>	<u>26,739,390</u>	<u>23,877,153</u>
Bad debt (recovery) expense	(50,000)	-	(50,000)	60,002
TOTAL EXPENSES	<u>26,689,390</u>	<u>-</u>	<u>26,689,390</u>	<u>23,937,155</u>
CHANGES IN NET ASSETS	<u>(1,882,250)</u>	<u>(1,535,688)</u>	<u>(3,417,938)</u>	<u>2,775,105</u>
NET ASSETS - BEGINNING OF PERIOD	<u>(16,116,056)</u>	<u>24,315,497</u>	<u>8,199,441</u>	<u>5,424,336</u>
NET ASSETS - END OF PERIOD	<u>\$ (17,998,306)</u>	<u>\$ 22,779,809</u>	<u>\$ 4,781,503</u>	<u>\$ 8,199,441</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, 2020 and 2019

Page 2 of 2

	2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE:			
Private foundations and public funds	\$ 766,347	\$ 17,755,462	\$ 18,521,809
Contributions	38,505	3,300,352	3,338,857
In-kind contributions	32,783	7,887	40,670
Governmental grants	-	4,162,500	4,162,500
Contract income	28,000	593,731	621,731
Interest income	187	-	187
Miscellaneous income	26,506	-	26,506
	<u>892,328</u>	<u>25,819,932</u>	<u>26,712,260</u>
Net assets released from restrictions	<u>20,343,824</u>	<u>(20,343,824)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>21,236,152</u>	<u>5,476,108</u>	<u>26,712,260</u>
EXPENSES:			
Program	20,957,036	-	20,957,036
Management and general	1,879,035	-	1,879,035
Fundraising	1,041,082	-	1,041,082
	<u>23,877,153</u>	<u>-</u>	<u>23,877,153</u>
TOTAL FUNCTIONAL EXPENSES	<u>23,877,153</u>	<u>-</u>	<u>23,877,153</u>
Bad debt expense	60,002	-	60,002
	<u>23,937,155</u>	<u>-</u>	<u>23,937,155</u>
TOTAL EXPENSES	<u>23,937,155</u>	<u>-</u>	<u>23,937,155</u>
CHANGES IN NET ASSETS	(2,701,003)	5,476,108	2,775,105
NET ASSETS - BEGINNING OF PERIOD	<u>(13,415,053)</u>	<u>18,839,389</u>	<u>5,424,336</u>
NET ASSETS - END OF PERIOD	<u>\$ (16,116,056)</u>	<u>\$ 24,315,497</u>	<u>\$ 8,199,441</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (3,417,938)	\$ 2,775,105
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	124,647	13,303
Donated occupancy, net of amortization	68,430	66,540
Amortization of the discount on note payable	68,351	(275,809)
Donated securities	(324,714)	-
Realized gain on the sale of investments	(42,516)	-
Changes in assets and liabilities:		
Accounts receivable	(29,373)	10,554
Grants and contracts receivable, net	(511,460)	(2,798,786)
Prepaid expenses	13,792	(25,665)
Other current assets	(4,637)	-
Ownership interest in deferred compensation plan	(170,000)	-
Accounts payable and accrued expenses	(145,385)	529,509
Grants payable	3,380,406	(575,470)
Deferred rent	(4,222)	(4,222)
Refundable grant advance	131,837	-
	<u>(862,782)</u>	<u>(284,941)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(613,671)	(58,108)
Sales of investments	367,230	-
	<u>(246,441)</u>	<u>(58,108)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	1,400,000
	<u>(1,109,223)</u>	<u>1,056,951</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>2,848,740</u>	<u>1,791,789</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		
	<u>\$ 1,739,517</u>	<u>\$ 2,848,740</u>
	<u>\$ 1,739,517</u>	<u>\$ 2,848,740</u>
SUPPLEMENTAL DISCLOSURES:		
Donated occupancy	<u>\$ 74,427</u>	<u>\$ 74,427</u>
Donated securities	<u>\$ 324,714</u>	<u>\$ -</u>
Donated legal services	<u>\$ -</u>	<u>\$ 32,783</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, 2020 and 2019

Page 1 of 2

	2020			2019	
	Program Services	Management and General	Fundraising	Totals	Totals
Grants and contracts	\$ 16,676,977	\$ -	\$ -	\$ 16,676,977	\$ 14,182,442
Salaries, wages, taxes, and benefits	4,258,698	1,263,543	1,035,725	6,557,966	6,001,387
Professional fees	907,409	376,089	100,173	1,383,671	1,415,428
Travel and meetings	1,015,835	272,337	8,193	1,296,365	1,541,134
Occupancy	145,349	41,218	26,033	212,600	210,406
Technology	120,860	42,618	9,630	173,108	266,255
Depreciation	111,578	8,010	5,059	124,647	13,303
Communications	42,228	25,774	7,457	75,459	10,023
Interest expense	-	68,351	-	68,351	22,043
Office supplies	9,971	38,571	-	48,542	64,686
Memberships and subscriptions	3,930	11,431	14,618	29,979	43,188
Staff development	28,693	(2,069)	-	26,624	56,688
Printing and copying	134	20,286	-	20,420	6,371
Insurance	-	19,318	-	19,318	35,885
Advertising	3,333	1,931	13,540	18,804	3,232
Service fees	-	6,559	-	6,559	4,682
Bad debt (recovery) expense	-	(50,000)	-	(50,000)	60,002
Total expenses	<u>23,324,995</u>	<u>2,143,967</u>	<u>1,220,428</u>	<u>26,689,390</u>	<u>23,937,155</u>
Less bad debt (recovery) expense	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>(60,002)</u>
Total functional expenses	<u>\$ 23,324,995</u>	<u>\$ 2,193,967</u>	<u>\$ 1,220,428</u>	<u>\$ 26,739,390</u>	<u>\$ 23,877,153</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, 2020 and 2019

Page 2 of 2

	2019			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Grants and contracts	\$ 14,182,442	\$ -	\$ -	\$ 14,182,442
Salaries, wages, taxes, and benefits	3,960,916	1,200,277	840,194	6,001,387
Professional fees	940,919	414,781	59,728	1,415,428
Travel and meetings	1,407,960	68,235	64,939	1,541,134
Occupancy	138,868	42,081	29,457	210,406
Technology	229,318	29,368	7,569	266,255
Depreciation	8,780	2,661	1,862	13,303
Communications	-	5,568	4,455	10,023
Interest expense	-	22,043	-	22,043
Office supplies	42,693	12,937	9,056	64,686
Memberships and subscriptions	3,005	18,393	21,790	43,188
Staff development	37,366	17,843	1,479	56,688
Printing and copying	1,720	4,205	446	6,371
Insurance	-	35,885	-	35,885
Advertising	3,049	76	107	3,232
Service fees	-	4,682	-	4,682
Bad debt expense	-	60,002	-	60,002
	<u>20,957,036</u>	<u>1,939,037</u>	<u>1,041,082</u>	<u>23,937,155</u>
Total expenses				
Less bad debt expense	<u>-</u>	<u>(60,002)</u>	<u>-</u>	<u>(60,002)</u>
Total functional expenses	<u>\$ 20,957,036</u>	<u>\$ 1,879,035</u>	<u>\$ 1,041,082</u>	<u>\$ 23,877,153</u>

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

Page 1 of 11

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 11

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, 2020 and 2019, 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, 5, or 7 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.

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

NATIONAL COLLEGE ADVISING CORPS, INC.

NOTES TO FINANCIAL STATEMENTS

Page 3 of 11

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 \$18,804 and \$3,232, for the years ended June 30, 2020 and 2019, respectively.

NATIONAL COLLEGE ADVISING CORPS, INC.

NOTES TO FINANCIAL STATEMENTS

Page 4 of 11

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Income Taxes.

National College Advising Corps, Inc., is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Management evaluated tax positions for the years ended June 30, 2020 through 2019, and concluded that there are no uncertain tax positions, and believes there is no income tax effect on the financial statements. If applicable, the Organization reports any interest and penalties for unrecognized tax positions as miscellaneous expense.

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 June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

NATIONAL COLLEGE ADVISING CORPS, INC.

NOTES TO FINANCIAL STATEMENTS

Page 5 of 11

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:

	<u>2020</u>	<u>2019</u>
Liquid current financial assets:		
Cash and cash equivalents	\$ 1,739,517	\$ 2,848,740
Accounts receivable	34,323	4,950
Grants and contracts receivable - current	15,624,206	12,378,381
Other current assets	<u>4,637</u>	<u>-</u>
	<u>17,402,683</u>	<u>15,232,071</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors or time	<u>(16,637,911)</u>	<u>(14,642,337)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 764,772</u>	<u>\$ 589,734</u>

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. 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. Contributions without restrictions received by the Organization are considered income for general expenditure use.

The Organization has been notified of intentions to give totaling approximately \$12 million as of June 30, 2020, that is to be used to support general expenditures. The intentions to give will be recorded in the financial statements annually when payments are received.

NATIONAL COLLEGE ADVISING CORPS, INC.

NOTES TO FINANCIAL STATEMENTS

Page 6 of 11

GRANTS AND CONTRACTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 15,624,206	\$ 12,378,381
Receivable in one to five years	<u>3,903,334</u>	<u>6,724,944</u>
Total gross grants receivable	19,527,540	19,103,325
Discount at a rate of 1.0% and 2.8%, respectively	<u>(114,364)</u>	<u>(201,609)</u>
Net present value of grants and contracts receivable	<u>\$ 19,413,176</u>	<u>\$ 18,901,716</u>

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

	<u>2020</u>	<u>2019</u>
Current assets:		
Grants and contracts receivable	\$ 15,624,206	\$ 12,378,381
Noncurrent assets:		
Grants and contracts receivable, net	<u>3,788,970</u>	<u>6,523,335</u>
Total grants and contracts receivable	<u>\$ 19,413,176</u>	<u>\$ 18,901,716</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 \$50,000 and \$100,000, in revenue for the years ended June 30, 2020 and 2019, respectively.

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 \$230,029 and \$342,737, in revenue for the years ended June 30, 2020 and 2019, respectively.

On June 30, 2020, the Organization received a conditional grant of \$4 million. Of the \$4 million, \$500,000 is conditional on the donor raising a specified amount. The Organization recognized \$3.5M in revenue for the year ended June 30, 2020.

The Organization has been informed of other intentions to give totaling \$12 million to be received through June 30, 2026, to be used to support general expenditures. In accordance with ASU 2018-08, certain promises to give that are receivable through donor advised funds are not recordable until funds are received.

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

Page 7 of 11

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 \$160,275 and \$71,682, for the years ended June 30, 2020 and 2019, respectively.

OWNERSHIP INTEREST IN DEFERRED COMPENSATION PLAN

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 are treated as a loan receivable from the executive for tax purposes, and the executive pays 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. At June 30, 2020, the Organization's ownership interest in the plan totaled \$170,000, and interest receivable due from the executive totaled \$4,114.

OPERATING LEASE

The Organization has an operating lease agreement for office space in Chapel Hill, North Carolina, with monthly payments of \$11,500 expiring on June 30, 2021. The monthly rent increases effective July 1, 2020, to \$11,600. Rent expense for the years ended June 30, 2020 and 2019, totaled \$133,778.

Minimum lease payments in accordance with the amended agreement total \$139,200 for the year ending June 30, 2021.

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%. Payments of \$200,000 begin March 2021 and continue annually until the loan matures in February 2024. The outstanding note balance at June 30, 2020 and 2019, was \$1,400,000. The note payable is carried at present value of \$1,192,542 and \$1,124,191, in the accompanying financial statements for the years ended June 30, 2020 and 2019.

NATIONAL COLLEGE ADVISING CORPS, INC.

NOTES TO FINANCIAL STATEMENTS

Page 8 of 11

NOTE PAYABLE (CONTINUED)

Principal maturities of the note are as follows:

<u>Year Ending June 30,</u>		
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, 2020 and 2019, interest expense totaling \$68,351 and \$22,043, respectively, is reflected in interest expense in the statements of functional expenses.

REVENUE FROM GRANTS AND CONTRACT AGREEMENTS

The Organization enters into cost reimbursement grants. The agreements are considered nonreciprocal transactions and thus must be recognized in accordance with ASU 2018-08. Revenue received by cost reimbursement grants is recognized when the Organization incurs allowable expenses. Allowable expenses are based on hours worked multiplied by the applicable hourly rate or applicable monthly salary rate. Other direct expenses required to fulfill the grant performance will be reimbursed by the awarding government agency. In addition, cost-based grants allow for the recovery of indirect costs, as separate budget items, incurred during the period of performance.

The obligated total of cost reimbursement grants and contracts as of June 30, 2020, totaled \$321,824. The remaining portion is considered conditional and will be recognized as revenue as allowable expenditures are incurred.

Total revenue from cost reimbursement grant agreements as of June 30, 2020, totaled \$4,163,782. Grants and contract receivables at June 30, 2020, includes \$705,825 related to revenue from cost reimbursement grant agreements. Refundable grant advance at June 30, 2020, totals \$131,837 related to conditional revenue from cost reimbursement grant agreements.

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

Page 9 of 11

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 \$32,783 of donated legal services for the year ended June 30, 2019. No such services were received for the year ended June 30, 2020. 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.

The Organization received \$74,427 in donated facilities for the years ended June 30, 2020 and 2019.

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.

CONCENTRATIONS

At June 30, 2020 and 2019, approximately 44% and 32% of total revenue were from three and two grantors, respectively, for various grants and contracts.

At June 30, 2020 and 2019, approximately 64% and 62% 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.

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

Page 10 of 11

CONTINGENCIES (CONTINUED)

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. 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 going forward.

In May 2020, the Organization was granted a loan (the “Loan”) from a financial institution in the amount of \$948,277, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted in March 2020. The Loan, which was in the form of a Note, matures on April 2022 and bears interest at a rate of 1% per annum. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. The Note and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for qualifying expenses over the 24-week period. The amount of loan forgiveness may be reduced under certain circumstances as described in the loan agreement.

Subsequent to signing the original loan agreement, the Small Business Administration (“SBA”) issued additional guidelines giving the Organization 10 months from the last day of the 24-week covered period to apply for loan forgiveness. Once the application is submitted, the lender has 60 days to act on the application and forward its recommendation to the SBA, who then has 90 days to act on that recommendation and remit the forgiveness proceeds to the lender, at which point the payments on the unforgiven balance, if any, of the loan would begin.

The Organization intends to apply for forgiveness for the entire loan amount. As such, the Organization has recognized the loan as a conditional contribution in accordance with FASB ASC 958-605 for the year ended June 30, 2020. The portion of the loan covering qualifying expenses incurred for the year ended June 30, 2020, is recognized as governmental grants in the amount of \$816,440. The portion of the loan covering qualifying expenses for the year ended June 30, 2021, is recognized as a refundable grant advance in the amount of \$131,837.

NATIONAL COLLEGE ADVISING CORPS, INC.

NOTES TO FINANCIAL STATEMENTS

Page 11 of 11

NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
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.	\$ 17,347,511	\$ 18,744,385
Time Restricted:		
Grants receivable without donor restrictions	5,361,924	5,432,308
Occupancy receivable	70,374	138,804
Total net assets with donor restrictions	\$ 22,779,809	\$ 24,315,497

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

Management has evaluated subsequent events for recognition or disclosure through March 29, 2021, which was the date that the financial statements were available to be issued. Management did not identify any 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, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Total Expenditures	Expenditures to Subrecipients
FEDERAL EXPENDITURES:				
Corporation for National and Community Service:				
AmeriCorps Fixed Amount Grant	94.006	18EDHNC001	\$ 1,998,005	\$ 841,167
OneStar National Service Commission	94.006	17ESHTX001	1,135,427	1,094,130
COVID-19 OneStar National Service Commission	94.006	16AFHTX001	28,806	-
			<u>3,162,238</u>	<u>1,935,297</u>
Department of Education:				
Texas Education Agency	84.334	P334S170018	186,844	-
			<u>186,844</u>	<u>-</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 3,349,082</u>	<u>\$ 1,935,297</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, 2020. 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
Ben Johnson, CPA, MBA
Robin H. McDuffie, CPA, CGMA
M. Neely McLaughlin, CPA, MBA, 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, 2020, 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 29, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-003, 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

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. We consider the deficiency in the accompanying schedule of findings and questioned costs as item 2020-002, to be a significant deficiency.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Blackman & Sloop

Chapel Hill, North Carolina
March 29, 2021

Carla G. Daniel, EA
Andrea W. Eason, CPA, CGMA
Ben Johnson, CPA, MBA
Robin H. McDuffie, CPA, CGMA
M. Neely McLaughlin, CPA, MBA, 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 COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Page 1 of 2

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, 2020. 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, 2020.

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.

Our consideration of 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 29, 2021

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

Year Ended June 30, 2020

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 and significant deficiencies 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. No material weaknesses or significant deficiencies 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 the major federal program.
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**2020-001 Deficit in Net Assets Without Donor Restrictions**

Prior year audit finding: 2019-001

Condition and Criteria: Net assets without donor restrictions are negative and have decreased by an additional \$1.8M as of June 30, 2020.

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)

2020-001 Deficit in Net Assets Without Donor Restrictions (Continued).

Cause and Effect (Continued): This is partly the result of recording multi-year promises to give to support operations as net assets with donor restrictions in accordance with U.S. GAAP and granting funds to partner universities before the cash is 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: The Organization has been successful in securing multi-year promises to give to support general operations. We continue to recommend the Organization implement strategies to secure cash contributions without donor restrictions. We also recommend the Organization identify funders that are willing to fund specific partner universities or locations that are currently being supported solely by the Organization. Implementing these strategies will help reduce the deficit in net assets without donor restrictions.

Management Response: Management is actively working to secure additional contributions without restriction and to secure funding for currently unsupported university programs. Management has retained a consulting firm to support new fundraising strategies and Alumni engagement. Policies have been implemented to consider funding sources in planning for new university programs. Additionally, management is actively recruiting for a Chief Development Officer to help address these challenges.

2020-002 Improve Journal Entry and Accounting System Data Input Procedures

Prior year audit finding: 2019-002

Condition and Criteria: The Organization implemented a new accounting system in fiscal year 2019 to better account for the Organization's many funders, restrictions, and University Partners. The new accounting system is more robust and allows for better tracking to meet the Organization's needs. Since implementation, improvements were noted in daily input and classification of accounting transactions. However, the reconciliation and oversight of the data input into the system was not consistently performed throughout fiscal year 2020.

Cause and Effect: Transitions in accounting positions and the Covid-19 pandemic delayed the timing of proper reconciliation of account balances including, cash, investments, and credit cards.

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: Changes in staff and inaccessibility to physical files during the COVID-19 lockdown contributed to delays in timely reconciliations. In FY21, a Finance Controller was hired to address these issues. A monthly close checklist which includes account reconciliation and roll forwards has been implemented and all paper accounting records are now available to all finance staff in a cloud based storage system.

B. Findings - Financial Statements Audit (Continued)**2020-003 Strengthen Internal Controls Surrounding Payroll**

Prior year audit finding: N/A

Condition and Criteria: A lack of controls surrounding the payroll system resulted in a total overpayment of \$27,200 to an employee over 9 months. Of this amount, \$19,180 pertains to fiscal year 2020 and \$8,020 pertains to fiscal year 2021. Procedures also were not followed as designed to review the setup of new employees or reconcile payroll to the accounting system during the year.

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 prevent errors in payroll expense, we recommend management follow established policies and procedures to ensure proper setup of employees in the payroll system. Additionally, 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 has implemented additional policies and procedures to include two reviews of new hire setups and any rate changes prior to the payroll being processed. A Finance Controller was hired in FY21 and will perform reconciliations of payroll expenses to quarterly 941s.

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

None

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

Year Ended June 30, 2019

Page 1 of 3

Prior Year Findings - Financial Statements Audit**2019-001** Deficit in Net Assets Without Donor Restrictions*Prior year audit finding:* 2018-001

Condition and Criteria: Net assets without 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.

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, 2020. The Organization has hired an experienced fundraising consultant to create and implement a fundraising plan to increase donations without restrictions. However, the Organization continued to see a decline in net assets without donor restrictions. This finding will be carried forward.

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 fiscal year 2019. 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.

Prior Year Findings - Financial Statements Audit (Continued)**2019-002 Improve Journal Entry and Accounting System Data Input Procedures (Continued)**

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.

Current Status: In 2019, management implemented a new accounting system. In 2020, management implemented updated procedures in the new accounting system that requires classification of all funds by restrictions and approval of journal entries in the system. The Organization hired an experienced Financial Controller in October 2020 to continue strengthening the overall accounting system. During our testing in the current fiscal year, we noted some account balances were not appropriately reconciled. This finding will be carried forward.

2019-003 Improve Grants Payable and Grant 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.

Current Status: In 2020, the Organization initiated monthly reconciliations of grants payable and grant expenses. The Controller reviews the reconciliations and the CEO reviews internal monthly financial statements. No significant issues were noted with the rollforward of grants payable in fiscal year 2020.

Prior Year Findings - Financial Statements Audit (Continued)**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.

Current Status: In October 2020, the Organization hired an experienced Financial Controller who implemented additional controls over payroll processing. During our testing, we noted a weakness in their internal controls over payroll processing that resulted in an overpayment of payroll to an employee. A new finding will be included in the schedule of findings and questioned costs at 2020-003.

Prior Year Findings – 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



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

Date: March 25, 2021

Re: Corrective Action Plan for Fiscal Year 2020

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 2020 audit.

2020- 001 Address Deficit in Net Assets Without Donor Restriction

Prior year audit finding: 2019-001, 2018-001

Condition and Criteria: Net assets without donor restrictions are negative and have decreased by an additional \$1.8M as of June 30, 2020.

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: The Organization has been successful in securing multi-year promises to give to support general operations. We continue to recommend the Organization implement strategies to secure cash contributions without donor restrictions. We also recommend the Organization identify funders that are willing to fund specific partner universities or locations that are currently being supported solely by the Organization. Implementing these strategies will help reduce the deficit in net assets without donor restrictions.

Management Response: We continue our efforts begun in FY2020 to secure additional contributions without restriction and work to secure funding for our unsupported University programs. We will do this by engaging consulting firms to support new fundraising and marketing strategies to increase unrestricted giving with increased alumni and social media engagement. We will consider funding sources in planning for new University program partnership. We will actively recruit for a chief development officer who will help us to address these challenges. While the size of the unrestricted net asset deficit increased in Fiscal year 2020, our efforts to date demonstrate reduction in growth of the deficit compared to FY2019.

Expected Completion Date & Responsible Party: Accurate tracking of net assets by restriction is in place in FY20 and is the responsibility of the Controller. We expect incremental progress over several years to completely address the cumulative effects of the net asset deficit.

2020-002 Improve Journal Entry and Accounting System Data Input Procedures

Prior year audit finding: 2019-002

Condition and Criteria: The Organization implemented a new accounting system in fiscal year 2019 to better account for the Organization's many funders, restrictions, and University Partners. The new accounting system is more robust and allows for better tracking to meet the Organization's needs. Since implementation, improvements were noted in daily input and classification of accounting transactions. However, the reconciliation and oversight of the data input into the system was not consistently performed throughout fiscal year 2020.

Cause and Effect: Transitions in accounting positions and the Covid-19 pandemic delayed the timing of proper reconciliation of account balances including, cash, investments, and credit cards.

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 to make decisions with accurate information.

Management Response: *Certain accounts were not reconciled in a timely manner and legacy accounting system conversion issues were not quickly remedied in fiscal year 20. Changes in staff and inaccessibility to office files during the COVID-19 lockdown contributed to this situation. We will address this finding with the addition of a controller position in fiscal year 21. We will add a monthly close checklist which includes account reconciliations and roll forwards. All paper accounting records will be stored in a cloud based storage system to maintain availability to all finance staff at all times.*

Expected Completion Date & Responsible Party: Full account reconciliations are underway and expected to be completed by the end of Fiscal year 21. The Controller has responsibility for oversight.

2020-003 Strengthen Internal Controls Surrounding Payroll

Prior year audit finding: N/A

Condition and Criteria: A lack of controls surrounding the payroll system resulted in a total overpayment of \$27,200 to an employee over 9 months. Of this amount, \$19,180 pertains to fiscal year 2020 and \$8,020 pertains to fiscal year 2021. Procedures also were not followed as designed to review the setup of new employees or reconcile payroll to the accounting system during the year.

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 prevent errors in payroll expense, we recommend management follow established policies and procedures to ensure proper setup of employees in the

payroll system. Additionally, quarterly reconciliations should be performed between the quarterly 941s to the general ledger to ensure accuracy and proper classification of the expense.

Management Response: *We will resolve this internal controls finding in payroll by implementing an additional review process in which all new hire setup and rate changes are reported by the Senior HR specialist and reviewed by both the payroll processor and the Controller prior to processing semi-monthly payroll. Reconciliation of payroll expense to 941 reports will be performed quarterly and reviewed by the Controller.*

Expected Completion Date & Responsible Party: This process was put into place in October 2020 and is the responsibility of the Controller.