

**CONSUMER CREDIT COUNSELING SERVICE
OF FORSYTH COUNTY, INCORPORATED
(D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT)**

Financial Statements

June 30, 2014 and 2013

TABLE OF CONTENTS

Independent Auditors' Report	2 - 3
Statements of Financial Position	4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 16
Independent Auditors' 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>	17 - 19
Schedule of Federal and State Awards	20

To the Board of Directors
Consumer Credit Counseling Service of Forsyth County, Incorporated
D/B/A Financial Pathways of the Piedmont
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Consumer Credit Counseling Service of Forsyth County, Incorporated D/B/A Financial Pathways of the Piedmont (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consumer Credit Counseling Service of Forsyth County, Incorporated D/B/A Financial Pathways of the Piedmont as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters – Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal and state awards on page 20, as required by North Carolina General Statute 143C-6-23, 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 audits 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 U.S. generally accepted auditing standards. 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 November 21, 2014, on our consideration of Consumer Credit Counseling Service of Forsyth County, Incorporated D/B/A Financial Pathways of the Piedmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Consumer Credit Counseling Service of Forsyth County, Incorporated D/B/A Financial Pathways of the Piedmont's internal control over financial reporting and compliance.

Butler & Burke LLP

Winston-Salem, North Carolina
November 21, 2014

CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 328,112	\$ 338,029
Temporary cash investments	-	51,941
Funds held in trust	400,833	15,818
Accounts receivable, net	39,402	51,569
Grants and contributions receivable	177,553	333,721
Prepaid expenses	10,063	18,650
Investments	382,726	204,692
Property and equipment, net	137,841	148,436
Other asset, net	<u>4,334</u>	<u>8,667</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,480,864</u>	<u>\$ 1,171,523</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 53,704	\$ 61,919
Funds held in trust	400,833	15,818
Grant advances	<u>3,416</u>	<u>21,309</u>
<u>Total Liabilities</u>	<u>457,953</u>	<u>99,046</u>
Net Assets		
Unrestricted		
Undesignated	342,717	354,013
Designated	524,026	482,256
Net investment in property and equipment	<u>137,841</u>	<u>148,436</u>
	1,004,584	984,705
Temporarily restricted	14,446	83,891
Permanently restricted	<u>3,881</u>	<u>3,881</u>
<u>Total Net Assets</u>	<u>1,022,911</u>	<u>1,072,477</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,480,864</u>	<u>\$ 1,171,523</u>

CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
United Way	\$ 423,381	\$ -	\$ -	\$ 423,381
Grants and contributions	825,647	-	-	825,647
In-kind contributions	45,178	-	-	45,178
Contract counseling revenue	60,264	-	-	60,264
Program service fees	446,942	-	-	446,942
Client fees	112,412	-	-	112,412
Debt management fees	93,506	-	-	93,506
Investment income	28,261	-	-	28,261
Other revenue	<u>10,573</u>	<u>-</u>	<u>-</u>	<u>10,573</u>
	2,046,164	-	-	2,046,164
Net assets released from restrictions	<u>69,445</u>	<u>(69,445)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,115,609</u>	<u>(69,445)</u>	<u>-</u>	<u>2,046,164</u>
Expenses				
Program services	1,776,137	-	-	1,776,137
Management and general	214,042	-	-	214,042
Fundraising	<u>105,551</u>	<u>-</u>	<u>-</u>	<u>105,551</u>
Total Expenses	<u>2,095,730</u>	<u>-</u>	<u>-</u>	<u>2,095,730</u>
Change in Net Assets	19,879	(69,445)	-	(49,566)
Net Assets at Beginning of Year	<u>984,705</u>	<u>83,891</u>	<u>3,881</u>	<u>1,072,477</u>
Net Assets at End of Year	<u>\$ 1,004,584</u>	<u>\$ 14,446</u>	<u>\$ 3,881</u>	<u>\$ 1,022,911</u>

CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
United Way	\$ 396,044	\$ -	\$ -	\$ 396,044
Grants and contributions	771,765	138,891	-	910,656
In-kind contributions	57,210	-	-	57,210
Contract counseling revenue	39,230	-	-	39,230
Program service fees	501,269	-	-	501,269
Client fees	66,907	-	-	66,907
Debt management fees	110,822	-	-	110,822
Investment income	5,517	-	-	5,517
Other revenue	<u>9,488</u>	<u>-</u>	<u>-</u>	<u>9,488</u>
	1,958,252	138,891	-	2,097,143
Net assets released from restrictions	<u>82,500</u>	<u>(82,500)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,040,752</u>	<u>56,391</u>	<u>-</u>	<u>2,097,143</u>
Expenses				
Program services	1,650,433	-	-	1,650,433
Management and general	185,744	-	-	185,744
Fundraising	<u>92,847</u>	<u>-</u>	<u>-</u>	<u>92,847</u>
Total Expenses	<u>1,929,024</u>	<u>-</u>	<u>-</u>	<u>1,929,024</u>
Change in Net Assets	111,728	56,391	-	168,119
Net Assets at Beginning of Year	<u>872,977</u>	<u>27,500</u>	<u>3,881</u>	<u>904,358</u>
Net Assets at End of Year	<u>\$ 984,705</u>	<u>\$ 83,891</u>	<u>\$ 3,881</u>	<u>\$ 1,072,477</u>

CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	Program Services						Total	Management and General	Fundraising	Total
	Center for Homeownership-CHO	Financial Management & Debt Counseling-FMDC	Consumer Financial Education-CFE	Senior Financial Care-SFC	National Mortgage Settlement-AG	Representative Payee-RP				
Salaries and wages	\$ 112,131	\$ 402,302	\$ 88,274	\$ 89,381	\$ 164,250	\$ 26,938	\$ 883,276	\$ 87,071	\$ 55,767	\$ 1,026,114
Employee benefits	30,460	86,597	20,784	24,553	28,845	6,710	197,949	26,209	10,558	234,716
Payroll taxes	8,758	30,951	6,788	7,131	13,245	2,251	69,124	6,397	4,090	79,611
Professional fees	25,681	113,339	13,649	17,152	10,242	6,696	186,759	25,468	7,160	219,387
Supplies and postage	9,106	18,928	16,360	4,810	853	7,127	57,184	6,470	4,227	67,881
Telephone	5,587	18,140	4,475	6,702	-	95	34,999	3,568	1,264	39,831
Occupancy	13,291	47,392	7,999	16,845	-	4,528	90,055	27,643	3,398	121,096
Equipment rental and maintenance	508	2,733	457	662	-	1,661	6,021	3,157	326	9,504
Conferences, conventions, and travel	5,228	20,780	9,626	6,478	4,824	430	47,366	3,187	1,132	51,685
Printing and publications	5,870	7,459	2,725	3,447	-	336	19,837	3,775	2,061	25,673
Advertising	17,551	12,349	6,097	4,874	31,683	-	72,554	2,563	5,481	80,598
Payments to affiliated organizations	3,213	13,369	2,180	3,242	-	-	22,004	5,164	1,520	28,688
Insurance	1,763	7,067	1,139	1,884	-	119	11,972	2,439	757	15,168
Depreciation	5,402	20,905	3,325	6,066	-	-	35,698	6,363	2,099	44,160
Amortization	867	867	867	-	-	-	2,601	867	865	4,333
Other	2,397	32,213	1,912	1,415	-	801	38,738	3,701	4,846	47,285
	<u>\$ 247,813</u>	<u>\$ 835,391</u>	<u>\$ 186,657</u>	<u>\$ 194,642</u>	<u>253,942</u>	<u>\$ 57,692</u>	<u>\$ 1,776,137</u>	<u>\$ 214,042</u>	<u>\$ 105,551</u>	<u>\$ 2,095,730</u>

CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013

	Program Services					Total	Management and General	Fundraising	Total
	Center for Homeownership-CHO	Financial Management & Debt Counseling-FMDC	Consumer Financial Education-CFE	Senior Financial Care-SFC	National Mortgage Settlement-AG				
Salaries and wages	\$ 145,257	\$ 374,056	\$ 79,628	\$ 134,187	\$ 61,642	\$ 794,770	\$ 116,420	\$ 52,104	\$ 963,294
Employee benefits	34,396	89,209	21,651	31,937	20,254	197,447	21,031	11,202	229,680
Payroll taxes	11,054	28,226	6,104	10,116	4,797	60,297	9,208	3,630	73,135
Professional fees	32,950	130,571	19,670	33,088	6,272	222,551	10,315	6,972	239,838
Supplies and postage	8,501	19,110	14,390	7,275	-	49,276	3,563	2,438	55,277
Telephone	9,158	20,921	4,744	8,240	-	43,063	2,418	1,617	47,098
Occupancy	13,102	44,192	12,156	16,676	-	86,126	11,873	3,312	101,311
Equipment rental and maintenance	920	1,986	358	773	-	4,037	1,988	201	6,226
Conferences, conventions, and travel	6,423	21,490	6,137	8,294	7,694	50,038	1,681	1,320	53,039
Printing and publications	3,824	6,772	2,968	5,461	-	19,025	1,068	1,793	21,886
Advertising	1,500	4,334	-	333	1,805	7,972	-	-	7,972
Payments to affiliated organizations	4,358	13,026	3,276	5,073	-	25,733	2,182	1,177	29,092
Insurance	1,687	5,418	861	2,049	-	10,015	782	409	11,206
Depreciation	2,502	9,505	1,582	3,051	-	16,640	1,571	1,077	19,288
Amortization	562	2,135	355	685	-	3,737	354	242	4,333
Other	3,449	44,760	4,023	7,474	-	59,706	1,290	5,353	66,349
	<u>\$ 279,643</u>	<u>\$ 815,711</u>	<u>\$ 177,903</u>	<u>\$ 274,712</u>	<u>\$ 102,464</u>	<u>\$ 1,650,433</u>	<u>\$ 185,744</u>	<u>\$ 92,847</u>	<u>\$ 1,929,024</u>

CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (49,566)	\$ 168,119
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,160	19,288
Amortization	4,333	4,333
Loss on disposal of property	266	56
Bad debt expense	-	(380)
Accrued interest earned	-	(342)
Net unrealized gains on investments	(24,122)	(2,009)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	12,167	(27,953)
Grants and contributions receivable	156,168	(138,950)
Prepaid expenses	8,587	(3,141)
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,215)	12,723
Grant advances	(17,893)	21,309
<u>Net Cash Provided by Operating Activities</u>	<u>125,885</u>	<u>53,053</u>
INVESTING ACTIVITIES		
Capital expenditures	(33,831)	(130,842)
Proceeds from maturity of temporary cash investments	51,941	-
Proceeds from sale of investments	20,877	19,984
Purchase of investments	(174,789)	(222,667)
<u>Net Cash Used in Investing Activities</u>	<u>(135,802)</u>	<u>(333,525)</u>
Decrease in Cash and Cash Equivalents	(9,917)	(280,472)
Cash and Cash Equivalents at Beginning of Year	<u>338,029</u>	<u>618,501</u>
Cash and Cash Equivalents at End of Year	<u>\$ 328,112</u>	<u>\$ 338,029</u>

**CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

Consumer Credit Counseling Service of Forsyth County, Incorporated D/B/A Financial Pathways of the Piedmont (FPP) is a not-for-profit corporation organized under the laws of the state of North Carolina. FPP's purpose is to deliver professional education and counseling services in the areas of personal money management, debt reduction, and comprehensive housing counseling to all segments of the community in and around Forsyth County, North Carolina.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of FPP have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

FPP presents its net assets and its support and revenue based upon the absence or existence of donor-imposed restrictions as follows:

Unrestricted net assets – net assets that are not restricted by donors or for which donor-imposed restrictions have expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated unrestricted net assets.

Temporarily restricted net assets – net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Permanently restricted net assets – net assets that contain donor-imposed restrictions stipulating that amounts be maintained in perpetuity.

Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets (i.e., the stipulated time period has elapsed or purpose was satisfied) are reported as net assets released from restrictions. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized.

Fair Value Measurements

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect marker-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data. See Note H for assets of FPP measured at fair value on a recurring basis.

**CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, which include unconditional promises to give, are recognized as revenues in the period the commitment is made and are recorded at fair value, which is computed as the estimated present values of expected future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

In-Kind Contributions

Contributions of assets other than cash are recorded at their estimated fair value. FPP reports revenues for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. Contributed services, primarily marketing, accounting, and payroll services, totaled \$45,178 and \$57,210 for the years ending June 30, 2014 and 2013, respectively. A substantial number of volunteers donate significant amounts of time to FPP; however, no amounts have been reflected in the financial statements for these services since the donated services do not meet the above conditions for recognition under GAAP.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include all cash and certificates of deposit with an original maturity of three months or less. These accounts at times may exceed federally insured limits. FPP has not experienced any losses on these accounts and management does not believe it is exposed to any significant credit risk.

Funds Held in Trust

These funds primarily consist of custodial accounts, maintained by FPP, for persons who participate in the representative payee program. This program benefits people with severe mental illness who receive Social Security Disability and/or Supplementary Security Income or other entitlements, and cannot manage their own funds. FPP becomes the client's payee by setting up a budget for each client and managing his or her funds to pay rent, utilities, medications, food and other basic necessities. Cash in the custodial bank account is restricted for this purpose and, accordingly, has been excluded from cash in the statements of cash flows. FPP is required to hold these funds in an account separate from its primary operating account.

Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed. FPP uses the allowance method to account for uncollectible receivable balances. Under the allowance method, if needed, an estimate of uncollectible balances is made based upon specific account balances that are considered uncollectible. The allowance for uncollectible receivables was \$500 as of June 30, 2014 and 2013, respectively.

Grants and Contributions Receivable

Grants and contributions receivable are stated at net realizable value. All grants and contributions receivable are expected to be collected within one year.

CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Property and Equipment

Property and equipment are stated at cost (if purchased) or at market or appraised value at date of gift (if received as a donation), less accumulated depreciation. Assets are depreciated using the straight-line method, over the useful life of the assets, generally from five to seven years. FPP's policy is to capitalize property and equipment over \$1,000.

Expense Allocation

The costs of providing program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of FPP.

Advertising Expenses

FPP expenses advertising costs as incurred. For the years ended June 30, 2014 and 2013, advertising costs were \$80,598 and \$7,972, respectively.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

Income Tax Status

FPP is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

FPP's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that FPP has no uncertain tax positions that would be subject to change upon examination.

FPP is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. FPP is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds \$1,000. FPP's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

**CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

FPP has evaluated its subsequent events (events occurring after June 30, 2014) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

NOTE C: INVESTMENTS

Investments are summarized as follows at June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Mutual funds	\$ 195,647	\$ 106,986
Corporate bonds	<u>187,079</u>	<u>97,706</u>
	<u>\$ 382,726</u>	<u>\$ 204,692</u>

NOTE D: PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Office furniture and equipment	\$ 225,141	\$ 158,939
Leasehold improvements	58,014	49,938
Other assets not yet in service	<u>-</u>	<u>49,678</u>
	283,155	258,555
Less accumulated depreciation	<u>(145,314)</u>	<u>(110,119)</u>
	<u>\$ 137,841</u>	<u>\$ 148,436</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$44,160 and \$19,288, respectively.

**CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE E: LEASES

FPP leases its office facilities and various office equipment under operating leases expiring at different times through fiscal year 2019. Future minimum payments under noncancellable leases with initial or remaining terms of one year or more are as follows:

<u>Year ended June 30,</u>		
2015	\$	60,099
2016		12,656
2017		5,477
2018		3,084
2019		<u>2,419</u>
	\$	<u>83,735</u>

Rent expense under all operating leases for the years ended June 30, 2014 and 2013 was \$130,700 and \$111,156, respectively.

NOTE F: RETIREMENT PLAN

FPP offers staff employees the opportunity to participate in a 403(b) contributory retirement plan. FPP matches employee contributions up to 2% of their annual compensation. Additionally, FPP may make discretionary contributions to all employees with more than one year of service. FPP's contributions to this retirement plan were \$47,681 and \$48,056 for the years ended June 30, 2014 and 2013, respectively.

NOTE G: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Senior Financial Care	\$ -	\$ 55,000
Workplace based financial education	<u>14,446</u>	<u>28,891</u>
	<u>\$ 14,446</u>	<u>\$ 83,891</u>

**CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE H: FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized in the following hierarchy:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FPP has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used by FPP for assets measured at fair value:

- *Mutual Funds*: Valued at the closing price reported on the active market on which the securities are traded. (Level 1)
- *Corporate Bonds*: Valued by a computerized pricing service, or for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value (Level 2).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FPP believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE H: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, FPP's assets measured at fair value on a recurring basis as of June 30, 2014 and 2013.

<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds				
Equity funds - large cap	\$ 126,464	\$ -	\$ -	\$ 126,464
Equity funds - small cap	28,930	-	-	28,930
Equity funds - private equity	18,743	-	-	18,743
Bond funds - multisector	21,510	-	-	21,510
Corporate bonds	-	187,079	-	187,079
	<u>\$ 195,647</u>	<u>\$ 187,079</u>	<u>\$ -</u>	<u>\$ 382,726</u>
<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds				
Equity funds - large cap	\$ 86,032	\$ -	\$ -	\$ 86,032
Equity funds - small cap	9,935	-	-	9,935
Bond funds - multisector	11,019	-	-	11,019
Corporate bonds	-	97,706	-	97,706
	<u>\$ 106,986</u>	<u>\$ 97,706</u>	<u>\$ -</u>	<u>\$ 204,692</u>

NOTE I: RELATED PARTY TRANSACTIONS

A new member of the FPP board of directors added during the year ended June 30, 2014 is an officer in a local public relations firm that provided services to FPP. During the year ended June 30, 2014, FPP made payments to this firm for public relations services that totaled \$17,325. An additional amount of in-kind public relations services were provided by the same firm which were valued at \$17,325. No amounts were owed to this firm at June 30, 2014. Management believes these transactions were consummated on terms equivalent to those that prevail in arm's-length transactions.

To the Board of Directors of
Consumer Credit Counseling Service of Forsyth County, Incorporated
D/B/A Financial Pathways of the Piedmont
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' 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*

We have audited, in accordance with U.S. generally accepted auditing standards 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 Consumer Credit Counseling Service of Forsyth County, Incorporated D/B/A Financial Pathways of the Piedmont ("FPP") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, 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 November 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FPP'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 FPP's internal control. Accordingly, we do not express an opinion on the effectiveness of FPP'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify the following deficiencies in internal control that we consider to be significant deficiencies:

FINDING – REPRESENTATIVE PAYEE DISBURSEMENTS

During our audit we noted a lack of segregation of duties in the representative payee program cash disbursement procedures. In obtaining an understanding of FPP's process for representative payee program cash disbursements we noted that the employee who prepares checks for the representative payee program also has the ability to update client's accounts in the representative payee tracking software. Additionally, we noted that representative payee program checks print automatically signed with an authorized signature taking another layer of controls away from the process. We also noted that check sequences are not being tracked for these checks, which could result in unauthorized disbursements. Giving one person both access to the representative payee software and the ability to prepare automatically signed checks creates an internal control weakness. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system possible. We recommend that the employee who prepares representative payee checks be restricted from updating client accounts in the representative payee program software. The representative payee program check sequence should also be tracked by a separate employee or board member and any discrepancies investigated. Additionally, management should consider implementing similar check signing controls used for regular agency checks to the representative payee program checks, which would include prohibiting the use of automatically signed checks. However, we realize this may not be practical due to the volume of the representative payee disbursements.

MANAGEMENT RESPONSE

Following the completion of the fiscal year 2013-2014 audit fieldwork management revised the segregation of duties identified in the Representative Payee Program Policy and Procedure Manual that address the issues noted above. Also, the representative payee program software provider has committed to having the capability to put in place the segregation of duties of representative payee program employees in their software that mirror's existing management internal controls by first quarter 2015.

As far as the automatic signing of checks, management agrees with the audit findings that implementing similar check signing controls used for regular agency checks would not be practical, given the volume of representative payee program checks. Management also recognizes that having the CEO sign representative payee checks would not add any value to the program internal controls, as the CEO has no access to the program software, and would not know anything about the client bills being paid through the program.

Management will ensure a board member and employee will track check sequences of the representative payee program and investigate any discrepancies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FPP's financial statements are free from material misstatements, 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*.

FPP's Response to Findings

FPP's response to the findings identified in our audit is described above. We did not audit FPP's response and, accordingly we express no opinion on it.

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 FPP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FPP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Butler & Burke LLP

Winston-Salem, North Carolina
November 21, 2014

**CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
SCHEDULE OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development Pass-through from North Carolina Housing Finance Agency * Housing Counseling Assistance Program	14.169	\$ 39,105	\$ 39,105
Pass-through from City of Winston-Salem * Community Development Block Grant Program	14.218	71,220	71,220
U.S. Department of Treasury Pass-through from North Carolina Housing Finance Agency * National Foreclosure Mitigation Counseling Program	21.000	205,944	205,944
Pass-through from National Foundation for Credit Counseling National Foreclosure Mitigation Counseling Program	21.000	15,503	15,503
U.S. Department of Health and Human Services Pass-through from North Carolina Department of Health and Human Services and Northwest Piedmont Council of Governments - * Special Programs for the Aging - Title III - B - Grants for Supportive Services and Senior Centers	93.044	75,593	75,593
U.S. Department of Veterans Affairs Pass-through from The United Way of Forsyth County Supportive Services for Veteran Families Program	64.033	<u>2,000</u>	<u>2,000</u>
TOTAL FEDERAL AWARDS		<u>\$ 409,365</u>	<u>\$ 409,365</u>
<u>State Grantor/Pass-Through Grantor/Program Title</u>			
North Carolina Housing Finance Agency *2012 National Mortgage Settlement: Housing Counseling Capacity Building Program	N/A	<u>\$ 266,035</u>	<u>\$ 283,928</u>
TOTAL NORTH CAROLINA AWARDS		<u>\$ 266,035</u>	<u>\$ 283,928</u>

* Denotes a program having a direct and material effect on the financial statements.

NOTE A: BASIS OF PRESENTATION

The schedule of federal and state awards includes the federal and state grant activity of Consumer Credit Counseling Service of Forsyth County, Incorporated D/B/A Financial Pathways of the Piedmont and is presented on the accrual basis. The information in the schedule is presented in accordance with the requirements of North Carolina General Statute 143C-6-23. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.