

**NATIONAL CENTER FOR HEALTHY HOUSING, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

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Independents Auditors' Report

The Board of Directors of the
National Center for Healthy Housing, Inc.
and Subsidiary

We have audited the accompanying consolidated statement of financial position of the National Center for Healthy Housing, Inc. (a non-profit organization) and Subsidiary as of September 30, 2007, and the related consolidated statement of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Center For Healthy Housing, Inc. and Subsidiary, as of September 30, 2007, and its changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2008 on our consideration of the National Center for Healthy Housing, Inc. and Subsidiary'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* and are important for assessing this report in considering the results of our audit.

Our audit was for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated basic financial statements taken as a whole.

The accompanying supplemental statement of financial position by entity, supplemental statement of activities by entity, consolidated supplemental schedule of expenses by program, and supplemental schedule of grant and contract revenue - National Center For Healthy Housing, Inc., for the year ended September 30, 2007 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The consolidated supplemental information and schedules for the year ended September 30, 2007 has been subjected to the auditing procedures applied in the audit of the consolidated basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated basic financial statements taken as a whole.

Clark and Anderson, P.A.

CLARK AND ANDERSON, P.A.
Certified Public Accountants

Glen Burnie, Maryland

January 24, 2008

**NATIONAL CENTER FOR HEALTHY HOUSING, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2007

ASSETS

Current Assets

Cash and equivalents	\$ 305,403
Grants and other receivables	502,140
Prepaid expenses and other assets	<u>23,594</u>

Total Current Assets	<u>831,137</u>
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Fixed Assets

Office equipment	20,616
Less: Accumulated depreciation	<u>(10,006)</u>

Net Fixed Assets	<u>10,610</u>
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Total Assets	<u><u>\$ 841,747</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 128,599
Accrued expenses	33,254
Taxes payable	15,538
Loan payable	6,991
Other payables	<u>5,702</u>

Total Current Liabilities	<u>190,084</u>
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Net Assets and Equity

Unrestricted	444,869
Temporarily restricted	<u>206,794</u>

Total Net Assets and Equity	<u>651,663</u>
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Total Liabilities and Net Assets	<u><u>\$ 841,747</u></u>
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-See independent auditors' report and accompanying notes-

**NATIONAL CENTER FOR HEALTHY HOUSING, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contracts	\$ 2,156,047	\$ 106,000	\$ 2,262,047
Contributions	154,910	-	154,910
Interest income	2,332	-	2,332
Other revenue	32,925	-	32,925
Net assets released from restriction	<u>290,574</u>	<u>(290,574)</u>	<u>-</u>
Total Revenue and Support	<u>2,636,788</u>	<u>(184,574)</u>	<u>2,452,214</u>
Expenses			
Program	2,553,647	-	2,553,647
Support services			
General and administrative	<u>56,109</u>	<u>-</u>	<u>56,109</u>
Total Expenses	<u>2,609,756</u>	<u>-</u>	<u>2,609,756</u>
Change in net assets before provision for income taxes	27,032	(184,574)	(157,542)
Provision(benefit) for income taxes	<u>(269)</u>	<u>-</u>	<u>(269)</u>
Change in net assets	27,301	(184,574)	(157,273)
Net assets, beginning of year	<u>417,568</u>	<u>391,368</u>	<u>808,936</u>
Net assets, end of year	<u>\$ 444,869</u>	<u>\$ 206,794</u>	<u>\$ 651,663</u>

-See independent auditors' report and accompanying notes-

**NATIONAL CENTER FOR HEALTHY HOUSING, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

Cash Flows from Operating Activities	
Change in net assets	\$ (157,273)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Non-cash Adjustments	
Depreciation and amortization	3,998
Bad debt expense	867
(Increase)decrease in	
Grants and other receivables	223,141
Prepaid expenses and other assets	(7,394)
Increase in	
Accounts payable and accrued expenses	<u>5,481</u>
Total adjustments	<u>226,093</u>
Net Cash Provided By Operating Activities	68,820
Cash Flows from Investing Activities	
Net Cash Used In Investing Activities -	
Purchase of fixed assets	(1,520)
Cash Flows from Financing Activities	
Net Cash Used In Financing Activities -	
Net reduction in note payable, short-term	<u>(1,335)</u>
Net Increase In Cash	65,965
Cash and Equivalents, Beginning of Year	<u>239,438</u>
Cash and Equivalents, End of Year	<u>\$ 305,403</u>
Supplement Disclosure of Cash Flow Information	
Cash paid for income taxes	<u>\$ 866</u>
Cash paid for interest	<u>\$ 786</u>

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Note 1 – Description of the Organizations

The accompanying consolidated financial statements include the following entities hereinafter referred to as “the Organizations”:

National Center for Healthy Housing, Inc.

The Board of Directors of the National Center for Healthy Housing, Inc. (the Center), formerly known as the National Center for Lead-Safe Housing, Inc., was founded in 1992 to bring the housing, environmental, and public health communities together to combat childhood lead poisoning. The Center is a nonprofit organization committed to developing and promoting practical methods to protect children from environmental health hazards in their homes while preserving affordable housing.

Healthy Housing Solutions, Inc.

The Center’s wholly-owned Subsidiary, Healthy Housing Solutions, Inc. (Solutions), was incorporated as a Maryland for-profit stock corporation on November 10, 2003. Solutions is engaged in activities similar to that of the Center and was organized to support the Center’s mission through fee-for-service work.

Until April 2007, the Center was a supporting organization of the Alliance for Healthy Homes, a nonprofit organization with similar activities and programs. The relationship was legally terminated.

Note 2 – Summary of Significant Accounting Policies

- (a) **Basis of Accounting** – The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.
- (b) **Principles of Consolidation** – The consolidated financial statements have been prepared for the Organizations as described previously. All significant intercompany transactions have been eliminated.
- (c) **Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

- (d) Cash and Equivalents – The Organizations consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
- (e) Grants and Other Receivables – Grants and other receivables are recorded net of an allowance for uncollectible receivables, based on management's evaluation of outstanding accounts receivable at year end. Grants and other receivables beyond one year are discounted to reflect the present value of the grant or other receivable. The Center has grants and cooperative agreements with U.S. Government agencies, various state agencies, and other private sources. Management anticipates that all grant and other receivables will be collected in full, and therefore, has not established an allowance for doubtful accounts.
- (f) Gifts and Bequests of Property – Gifts and bequests of property are recorded at the earlier of the date received or when the bequest is no longer subject to probate and its value can be reasonably estimated. Gifts and bequests are valued at their estimated fair market value on the date they are recorded.
- (g) Fixed Assets – Furniture and equipment are reported at cost if purchased and, if donated, at the approximate fair market value at the date of donation. Assets are depreciated over the estimated life using the straight line method. Depreciation expense for the year ended September 30, 2007 amounted to \$3,998.
- (h) Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- (i) Income Taxes – under Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Maryland, the Center is exempt from income taxes for activities related to its tax exempt purpose.

Solutions is a for-profit corporation subject to corporate income tax in accordance with the Internal Revenue Code and the applicable income tax regulations of the State of Maryland.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

- (j) Donated Services and Materials – Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. During the year ended September 30, 2007, the Center did not receive any donated materials or services subject to the recognition criteria.
- (k) Net Assets – net assets are reported by the Center in accordance with Financial Accounting Standards Board (FASB) 116 and 117. Accordingly, net assets have been reported using the following categories.

Unrestricted

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Center in accordance with the bylaws.

Temporarily Restricted

Temporarily restricted net assets represent grants and contributions, which have been restricted by donors for specific programs or activities. Restrictions, which have been met by the passage of time or expenditure of net assets, are reported as revenues released from restrictions on the statement of activities. Restricted grants and contributions that are received and released in the same reporting period are recognized as unrestricted grants and contributions. For the year ended September 30, 2007 the Center received \$106,000 in restricted grants and contributions.

Temporarily restricted net assets as of September 30, 2007 consisted of the following:

One Touch Project	\$ 78,147
Growing Up Healthy: Kids and Communities	72,247
Gulf Region Healthy Housing Training Center	<u>56,400</u>
Total	<u>\$206,794</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Note 3 – Short-Term Bank Borrowings

During 2004, Solutions entered into a line of credit in the amount of \$50,000. Amounts outstanding under the line of credit are payable upon demand and bear interest at the financial institution's prime rate plus one point five percent (1.5%), which was nine point seventy-five percent (9.75%) as of September 30, 2007. The line of credit is secured by substantially all of Solutions' assets and is guaranteed by the Center. As of September 30, 2007 the outstanding borrowings under the line of credit was \$6,991. Interest expense amounted to \$786 for the year ended September 30, 2007.

Note 4 – Pension Plan

The Center has a 401(k) plan that permits voluntary contributions by employees of the Center and its Subsidiary. The plan covers all eligible employees who meet its eligibility requirements. The Plan provides for employer matching contribution of one hundred percent (100%) of elective deferrals up to three percent (3%) of eligible compensation and fifty percent (50%) of elective deferrals from three percent (3%) to five percent (5%) of eligible compensation. In addition, the plan allows discretionary contributions on an annual basis in amounts determined by the Center's management. For the year ended September 30, 2007, the Organizations made matching contributions of \$31,838 and discretionary contributions of \$12,979, or two percent (2%) of eligible compensation to the Plan.

Note 5 – Income Taxes

The provision for income taxes for the year ended September 30, 2007 relates to the activities of Solutions and consists of federal and state income taxes payable or receivable.

For the year ended September 30, 2007 the provision for income taxes is as follows:

Federal	\$181
State	<u>88</u>
Total Benefit	<u>\$269</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Note 6 – Concentration of Risk

The Center receives a substantial portion of its revenue from federal grants and contracts, primarily from the U.S. Department of Health and Human Services. If a significant reduction of this funding occurs, it may have a significant impact on the Center's programs. For the year ended September 30, 2007, direct and indirect federal grants and contracts represented eighty-eight percent (88%) of the Center's total revenue and support. The Center's management does not anticipate any significant reduction in future funding from federal agencies.

The Center maintains cash balances in a financial institution which is insured by the Federal Deposit Insurance Corporation for amount up to \$100,000. The Center is exposed to concentrations of credit risk at times when cash balances exceed the FDIC limit. The Center has not experienced any losses and believes they are not exposed to significant risk.

Note 7 – Leases and Rent Expenses

Effective November 2006, the Center entered into a lease agreement for office space. The lease term commenced November 1, 2006 for a period of sixty (60) months, expiring on October 31, 2011. Monthly payments in 2007 under the new lease agreement amounted to \$4,249 and provides for annual escalation charges. The previous lease agreement for office space was terminated as of October 31, 2006 with no penalty.

Minimum future rental payments under the lease are as follows:

2008	\$ 84,483
2009	89,935
2010	92,633
2011	95,412
2012	<u>7,970</u>
Total	<u>\$370,433</u>

Lease expense amounted to \$61,676 for the year ended September 30, 2007.

SUPPLEMENTAL SCHEDULES

**NATIONAL CENTER FOR HEALTHY HOUSING, INC.
AND SUBSIDIARY**

**SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION
BY ENTITY (WITH ELIMINATIONS)**

SEPTEMBER 30, 2007

	National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
<u>ASSETS</u>				
Current Assets				
Cash and equipment	\$ 252,484	\$ 52,919	\$ -	\$ 305,403
Grants and other receivables	473,161	66,670	(37,691)	502,140
Due from subsidiary	33,557	-	(33,557)	-
Prepaid expenses and other assets	<u>22,149</u>	<u>1,445</u>	<u>-</u>	<u>23,594</u>
Total Current Assets	781,351	121,034	(71,248)	831,137
Fixed Assets				
Office equipment	17,699	2,917	-	20,616
Less: Accumulated depreciation	<u>(9,058)</u>	<u>(948)</u>	<u>-</u>	<u>(10,006)</u>
Net Fixed Assets	8,641	1,969	-	10,610
Investment in Subsidiary	<u>17,194</u>	<u>-</u>	<u>(17,194)</u>	<u>-</u>
Total Assets	<u>\$ 807,186</u>	<u>\$ 123,003</u>	<u>\$ (88,442)</u>	<u>\$ 841,747</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable	\$ 113,129	\$ 53,161	\$ (37,691)	\$ 128,599
Accrued expenses	25,924	7,330	-	33,254
Taxes payable	11,845	3,693	-	15,538
Loan payable	-	6,991	-	6,991
Due to parent	-	33,557	(33,557)	-
Other payables	<u>4,625</u>	<u>1,077</u>	<u>-</u>	<u>5,702</u>
Total Current Liabilities	155,523	105,809	(71,248)	190,084
Net Assets and Equity				
Unrestricted	444,869	-	-	444,869
Temporarily restricted	206,794	-	-	206,794
Retained earnings	-	17,094	(17,094)	-
Common stock	<u>-</u>	<u>100</u>	<u>(100)</u>	<u>-</u>
Total Net Assets and Equity	<u>651,663</u>	<u>17,194</u>	<u>(17,194)</u>	<u>651,663</u>
Total Liabilities and Net Assets	<u>\$ 807,186</u>	<u>\$ 123,003</u>	<u>\$ (88,442)</u>	<u>\$ 841,747</u>

-See independent auditors' report and accompanying notes-

**NATIONAL CENTER FOR HEALTHY HOUSING, INC.
AND SUBSIDIARY**

**SUPPLEMENTAL STATEMENT OF ACTIVITIES,
BY ENTITY (WITH ELIMINATIONS)**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
Revenue and Support				
Grants and contracts	\$ 1,746,806	\$ 695,807	\$ (180,566)	\$ 2,262,047
Contributions	154,910	-	-	154,910
Interest income	3,030	7	(705)	2,332
Other revenue	<u>48,362</u>	<u>-</u>	<u>(15,437)</u>	<u>32,925</u>
Total Revenue and Support	1,953,108	695,814	(196,708)	2,452,214
Expenses				
Salaries and fringe benefits	963,760	310,541	-	1,274,301
Consultants	654,170	200,403	(180,566)	674,007
Professional fees	101,239	46,418	(15,437)	132,220
Rent	52,524	9,152	-	61,676
Interest expense	-	1,491	(705)	786
Others	<u>340,255</u>	<u>126,511</u>	<u>-</u>	<u>466,766</u>
Total Expenses	<u>2,111,948</u>	<u>694,516</u>	<u>(196,708)</u>	<u>2,609,756</u>
Change in net assets before equity in earnings of subsidiary and income taxes	(158,840)	1,298	-	(157,542)
Provision for income taxes	<u>-</u>	<u>(269)</u>	<u>-</u>	<u>(269)</u>
Change in net assets before equity in earnings of subsidiary	(158,840)	1,567	-	(157,273)
Equity in earnings of subsidiary	1,566	-	(1,566)	-
Change in net assets	(157,274)	1,567	(1,566)	(157,273)
Net Assets, Beginning of Year	<u>808,936</u>	<u>15,628</u>	<u>(15,628)</u>	<u>808,936</u>
Net Assets, End of Year	<u>\$ 651,662</u>	<u>\$ 17,195</u>	<u>\$ (17,194)</u>	<u>\$ 651,663</u>

-See independent auditors' report and accompanying notes-

**NATIONAL CENTER FOR HEALTHY HOUSING, INC.
AND SUBSIDIARY**

CONSOLIDATED SUPPLEMENTAL SCHEDULE OF EXPENSES BY PROGRAM

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and fringe benefits	\$ 828,570	\$ 445,731	\$ 1,274,301
Advertising	-	6,190	6,190
Bad debt expense	-	867	867
Bank service fees	-	984	984
Consultants	600,235	73,772	674,007
Depreciation	-	3,998	3,998
Dues and subscriptions	735	1,940	2,675
Equipment rental and maintenance	29	9,724	9,753
Insurance	-	28,109	28,109
Interest expense	-	786	786
Licenses and fees	-	359	359
Meetings and conferences	59,942	6,348	66,290
Miscellaneous	-	913	913
Office expense	-	12,398	12,398
Office supplies	82,478	16,217	98,695
Other costs and supplies	30,434	-	30,434
Postage and delivery	8,245	3,357	11,602
Printing and reproduction	1,821	5,495	7,316
Professional fees	-	132,220	132,220
Rent	-	61,676	61,676
Telecommunications	1,972	18,395	20,367
Temporary help	1,053	458	1,511
Training and professional development	285	3,061	3,346
Travel	133,420	9,400	142,820
Trustee expenses	-	18,139	18,139
Indirect cost allocation	<u>804,428</u>	<u>(804,428)</u>	<u>-</u>
Total Expenses	<u>\$ 2,553,647</u>	<u>\$ 56,109</u>	<u>\$ 2,609,756</u>

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC.
SUPPLEMENTAL SCHEDULE OF GRANT AND CONTRACT REVENUE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

US Department of Health and Human Services	
Centers for Disease Control and Prevention	
Investigations and Technical Assistance	\$ 302,728
National Healthy Home Training Center	523,260
Lead Poisoning Prevention Training Center	<u>192,331</u>
Total US Department of Health and Human Services	1,018,319
US Department of Housing and Urban Development	
Healthy Homes and Lead Technical Studies	841,189
Department of Community Health	<u>37,663</u>
Total US Department of Housing and Urban Development	878,852
Environmental Protection Agency	
Surveys, Studies, Investigations, Demonstrations and	
Special Purpose Activities Relating to the Clear Air Act	69,608
Protection of Children and Older Adults from Environmental Health Risks	59,510
Pesticides in New England Public Housing /Healthy Communities	<u>10,671</u>
Total Environmental Protection Agency	139,789
Federal Pass-Through Grants	
The Medical Foundation, Inc.	35,431
Battelle Memorial Institute	78,131
UT Battelle, LLC	18,574
Lead Action Coalition	<u>2,458</u>
Total Federal Pass-Through Grants	134,594
Contracts and Non-Federal Grants	
Healthy Homes Training Center	52,899
Tech Assist in Extracting AHS Metro Data	3,000
Ellen R Tohn - Newport	3,921
Lead Poisoning Prevention in Georgia	4,975
Greater Rochester Health Foundation	8,132
Lead Action Coalition	275
New York Department of Health	764
Maine	483
Miscellaneous	<u>16,044</u>
Total Contracts and Non-Federal Grants	<u>90,493</u>
Total Grants and Contracts	<u>\$ 2,262,047</u>

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>US Department of Health and Human Services</u>		
Centers for Disease Control and Prevention		
Investigations and Technical Assistance	93.283	\$ 302,728
National Healthy Home Training Center	93.283	523,260
Lead Poisoning Prevention Training Center	93.283	<u>192,331</u>
Total US Department of Health and Human Services		1,018,319
<u>US Department of Housing and Urban Development</u>		
Healthy Homes and Lead Technical Studies		
Relating to Asthma Assessments	14.902	349,163
Relating to American Housing Survey Data Collections	14.902	52,993
Relating to University of Illinois at Chicago		
Dust-fall Demonstration Project	14.902	81,019
Relating to Analysis of National Health and		
Nutrition Examination Survey Lead Data	14.906	358,014
Department of Community Health Technical Assistance	14.904	18,747
Department of Community Health MSK	14.904	<u>18,916</u>
Total US Department of Housing and Urban Development Programs		878,852
<u>US Department of Energy</u>		
Pass-Through Program From		
UT Battelle, LLC Weatherization Assistance for		
Low-Income Persons	81.042	<u>18,574</u>
<u>Environmental Protection Agency</u>		
Relating to the Clean Air Act	66.034	69,608
Pass-Through from the Medical Foundation, Inc.		
Relating to the Clean Air Act	66.034	35,431

-See accompanying notes to schedule of expenditures of federal awards-

NATIONAL CENTER FOR HEALTHY HOUSING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Environmental Protection Agency (Continued)</u>		
Protection of Children and Older Adults (Elderly) from Environmental Health Risks	66.609	59,510
Pesticides in New England Public Housing/Healthy Communities Grant Surveys, Studies, Investigations, Demonstrations and Special purposes Activities	66.110	10,671
Pass-Through from the Lead Action Coalition Lead Outreach Training Program	66.718	2,458
Pass-Through from Battelle Memorial Institute Environmental Education and Training Program	66.950	25,616
Pass-Through from Battelle Memorial Institute Environmental Education and Training Program	66.950	<u>52,515</u>
Total Environmental Protection Agency		<u>255,809</u>
Total Expenditures of Federal Awards		<u>\$ 2,171,554</u>

-See accompanying notes to schedule of expenditures of federal awards-

REPORTS REQUIRED BY CIRCULAR OMB A-133 SINGLE AUDIT

**NATIONAL CENTER FOR HEALTHY HOUSING, INC.
AND SUBSIDIARY**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

Note A – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of National Center For Healthy Housing, Inc. and Subsidiary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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**

Board of Directors
National Center For Healthy Housing, Inc. and Subsidiary
Columbia, Maryland 21044

We have audited the financial statements of National Center For Healthy Housing, Inc. and Subsidiary as of and for the year ended September 30, 2007, and have issued our report thereon dated January 24, 2008. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the National Center For Healthy Housing, Inc. and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the National Center For Healthy Housing, Inc. and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

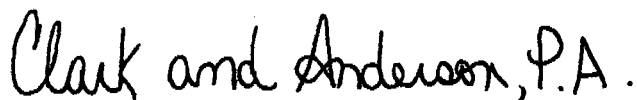
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the National Center For Healthy Housing, Inc. and Subsidiary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors, management, others within National Center For Healthy Housing, Inc. and Subsidiary, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Clark and Anderson, P.A.
Certified Public Accountants

Glen Burnie, Maryland

January 24, 2008

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
National Center For Healthy Housing, Inc. and Subsidiary
Columbia, Maryland 21044

Compliance

We have audited the compliance of National Center For Healthy Housing, Inc. and Subsidiary with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. National Center For Healthy Housing, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of National Center For Healthy Housing, Inc. and Subsidiary's management. Our responsibility is to express an opinion on National Center For Healthy Housing, Inc. and Subsidiary's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Center For Healthy Housing, Inc. and Subsidiary'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. Our audit does not provide a legal determination of National Center For Healthy Housing, Inc. and Subsidiary's compliance with those requirements.

In our opinion, National Center For Healthy Housing, Inc. and Subsidiary complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of National Center For Healthy Housing, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered National Center For Healthy Housing, Inc. and Subsidiary's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Center For Healthy Housing, Inc. and Subsidiary's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists with 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

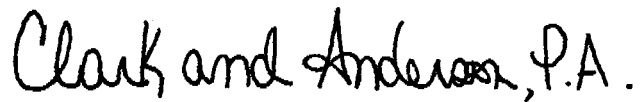
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Board of Directors

National Center For Healthy Housing, Inc. and Subsidiary

Page 3

This report is intended solely for the information and use of the Audit Committee, the Board of Directors, management, others within National Center For Healthy Housing, Inc. and Subsidiary, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Clark and Anderson, P.A.". The signature is written in a cursive, flowing style.

Clark and Anderson, P.A.

Certified Public Accountants

Glen Burnie, Maryland

January 24, 2008

**NATIONAL CENTER FOR HEALTHY HOUSING, INC.
AND SUBSIDIARY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

I. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of National Center For Healthy Housing, Inc. and Subsidiary.
2. No reportable conditions relating to the audit of the financial statements are reported in the 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 Audit Standards.
3. No instances of noncompliance material to the financial statements of National Center For Healthy Housing, Inc. and Subsidiary were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the auditors' report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for National Center For Healthy Housing, Inc. and Subsidiary expresses an unqualified opinion on all major federal award programs.
6. There were no audit findings relative to the major federal award programs for National Center For Healthy Housing, Inc. and Subsidiary.
7. The programs tested as major programs included:

Department of Housing and Urban Development	
Healthy Homes and Lead Technical Studies	CFDA #14.902
Healthy Homes and Lead Technical Studies	CFDA #14.906
Department of Health and Human Services	
Centers for Disease Control and Prevention	
Investigations and Technical Assistance	CFDA #93.283

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

I. SUMMARY OF AUDITORS' RESULTS (Continued)

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. National Center For Healthy Housing, Inc. and Subsidiary does qualify as a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings for federal awards.

III. FINDINGS AND QUESTIONED COSTS OF FEDERAL AWARDS

There were no findings or questioned costs for federal awards.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

There were no prior year findings for federal awards.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
10320 Little Patuxent Parkway, Suite 500
Columbia, MD 21044

CORRECTIVE ACTION PLAN
January 24, 2008

U.S. Department of Housing and Urban Development

National Center For Healthy Housing, Inc. and Subsidiary respectfully submits the following corrective action plan for the year ended September 30, 2007.

Name and address of independent public accounting firm:

CLARK AND ANDERSON, P.A.
7678 Quarterfield Road, Suite 101
Glen Burnie, Maryland 21061

Audit Period: October 1, 2006 – September 30, 2007

There were no findings in the September 30, 2007 schedule of findings and questioned costs.