



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

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2017 AND 2016**

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To the Board of Directors  
National Center for Healthy Housing, Inc.

We have audited the accompanying consolidated financial statements of National Center for Healthy Housing, Inc. and Subsidiary (the "Center") (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Gross, Mendelsohn & Associates, P.A.*

Baltimore, Maryland  
February 21, 2018

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Consolidated Statements of Financial Position**  
**September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,231,971	\$ 1,907,251
Grants and other receivables, net of allowance for doubtful accounts of (2017 - \$5,995 and 2016 - \$-0-)	403,771	501,662
Pledges receivable, current	490,374	699,766
Prepaid expenses and other assets	112,767	58,467
Total Current Assets	<u>2,238,883</u>	<u>3,167,146</u>
<b>Property</b>		
Office equipment	129,910	126,766
Less: Accumulated depreciation	97,807	80,316
Net Property	<u>32,103</u>	<u>46,450</u>
<b>Other Assets</b>		
Pledges receivable, noncurrent	242,718	178,344
<b>Total Assets</b>	<u>\$ 2,513,704</u>	<u>\$ 3,391,940</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 244,969	\$ 200,104
Accrued expenses	62,288	110,484
Payroll and income taxes payable	-0-	178,104
Deferred revenue	29,740	73,400
Current maturities of capital lease obligation	-0-	3,450
Other current liabilities	588	492
Total Current Liabilities	<u>337,585</u>	<u>566,034</u>
<b>Non-Current Liabilities</b>		
Deferred income taxes	2,341	3,460
<b>Total Liabilities</b>	<u>339,926</u>	<u>569,494</u>
<b>Commitments (Notes 3, 4, 6 and 9)</b>		
<b>Net Assets</b>		
Unrestricted	633,544	768,510
Temporarily restricted	1,540,234	2,053,936
Total Net Assets	<u>2,173,778</u>	<u>2,822,446</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,513,704</u>	<u>\$ 3,391,940</u>

The accompanying notes are an integral part of these financial statements.

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Consolidated Statements of Activities**  
**Years Ended September 30, 2017 and 2016**

	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and Revenue</b>			
Grants and contracts	\$ 2,726,449	\$ -0-	\$ 2,726,449
Contributions	9,176	569,730	578,906
Interest income	376	-0-	376
Other revenue	26,648	-0-	26,648
	<u>2,762,649</u>	<u>569,730</u>	<u>3,332,379</u>
Net assets released from restriction	1,083,432	(1,083,432)	-0-
Total Support and Revenue	<u>3,846,081</u>	<u>(513,702)</u>	<u>3,332,379</u>
<b>Expenses</b>			
Program	3,920,985	-0-	3,920,985
General and administrative	86,795	-0-	86,795
Fundraising	40,144	-0-	40,144
	<u>4,047,924</u>	<u>-0-</u>	<u>4,047,924</u>
Change in Net Assets Before			
Provision for (Recovery of) Income Taxes	(201,843)	(513,702)	(715,545)
Provision for (Recovery of) Income Taxes	<u>(66,877)</u>	<u>-0-</u>	<u>(66,877)</u>
Change in Net Assets	<u>(134,966)</u>	<u>(513,702)</u>	<u>(648,668)</u>
Net Assets - Beginning of Year	<u>768,510</u>	<u>2,053,936</u>	<u>2,822,446</u>
Net Assets - End of Year	<u>\$ 633,544</u>	<u>\$ 1,540,234</u>	<u>\$ 2,173,778</u>

2016			
Unrestricted	Temporarily Restricted	Total	Increase (Decrease)
\$ 4,872,817	\$ -0-	\$ 4,872,817	\$ (2,146,368)
45,323	2,008,000	2,053,323	(1,474,417)
1,535	-0-	1,535	(1,159)
13,413	-0-	13,413	13,235
4,933,088	2,008,000	6,941,088	(3,608,709)
1,197,186	(1,197,186)	-0-	-0-
6,130,274	810,814	6,941,088	(3,608,709)
5,709,521	-0-	5,709,521	(1,788,536)
19,434	-0-	19,434	67,361
21,521	-0-	21,521	18,623
5,750,476	-0-	5,750,476	(1,702,552)
379,798	810,814	1,190,612	(1,906,157)
229,541	-0-	229,541	(296,418)
150,257	810,814	961,071	<u>\$ (1,609,739)</u>
618,253	1,243,122	1,861,375	
<u>\$ 768,510</u>	<u>\$ 2,053,936</u>	<u>\$ 2,822,446</u>	

The accompanying notes are an integral part of these financial statements.

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Consolidated Statements of Functional Expenses**  
**Years Ended September 30, 2017 and 2016**

2017

	Program Services	General and Administrative	Fund- raising	Total
Salaries and fringe benefits	\$ 1,370,205	\$ 390,332	\$ 16,165	\$ 1,776,702
Consultants	1,237,552	97,206	14,963	1,349,721
Other costs and supplies	327,601	-0-	-0-	327,601
Professional fees	545	173,161	-0-	173,706
Rent	-0-	120,731	-0-	120,731
Travel	81,329	10,617	-0-	91,946
Insurance	-0-	26,603	-0-	26,603
Telecommunications	1,202	22,413	-0-	23,615
Software	8,838	12,408	-0-	21,246
Miscellaneous	-0-	21,060	-0-	21,060
Depreciation	-0-	17,491	-0-	17,491
Trustee expenses	-0-	13,918	-0-	13,918
Equipment rental and maintenance	-0-	12,314	-0-	12,314
Training and professional development	-0-	11,025	-0-	11,025
Meetings and conferences	5,498	3,988	-0-	9,486
Office supplies	165	9,039	-0-	9,204
Dues and subscriptions	497	8,450	99	9,046
Postage and delivery	7,114	865	-0-	7,979
Bad debt expense	-0-	6,036	-0-	6,036
Payroll processing	-0-	5,978	-0-	5,978
Storage	-0-	5,353	-0-	5,353
Bank service fees	-0-	3,331	-0-	3,331
Charitable contributions	-0-	3,200	-0-	3,200
Printing and reproduction	-0-	298	-0-	298
Temporary help	-0-	223	-0-	223
Interest expense	-0-	111	-0-	111
Indirect cost allocation	880,439	(889,356)	8,917	-0-
<b>Total Expenses</b>	<b>\$ 3,920,985</b>	<b>\$ 86,795</b>	<b>\$ 40,144</b>	<b>\$ 4,047,924</b>

2016

Program Services	General and Administrative	Fund- raising	Total	Increase (Decrease)
\$ 1,408,745	\$ 619,200	\$ 7,821	\$ 2,035,766	\$ (259,064)
2,651,702	171,375	6,370	2,829,447	(1,479,726)
288,491	-0-	-0-	288,491	39,110
-0-	168,763	-0-	168,763	4,943
-0-	132,481	-0-	132,481	(11,750)
54,376	15,371	50	69,797	22,149
-0-	26,989	-0-	26,989	(386)
1,675	23,174	-0-	24,849	(1,234)
7,373	13,421	-0-	20,794	452
-0-	25,794	-0-	25,794	(4,734)
-0-	18,078	-0-	18,078	(587)
-0-	9,232	-0-	9,232	4,686
-0-	11,747	-0-	11,747	567
-0-	2,510	-0-	2,510	8,515
11,107	24,282	1,400	36,789	(27,303)
8,141	4,880	115	13,136	(3,932)
950	10,025	-0-	10,975	(1,929)
5,278	949	-0-	6,227	1,752
-0-	-0-	-0-	-0-	6,036
-0-	6,888	-0-	6,888	(910)
-0-	5,629	-0-	5,629	(276)
-0-	2,879	-0-	2,879	452
-0-	-0-	-0-	-0-	3,200
-0-	58	-0-	58	240
21	2,625	-0-	2,646	(2,423)
-0-	511	-0-	511	(400)
1,271,662	(1,277,427)	5,765	-0-	-0-
<u>\$ 5,709,521</u>	<u>\$ 19,434</u>	<u>\$ 21,521</u>	<u>\$ 5,750,476</u>	<u>\$ (1,702,552)</u>

The accompanying notes are an integral part of these financial statements.



**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (648,668)	\$ 961,071
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debts	6,036	-0-
Depreciation	17,491	18,078
Deferred income taxes	(1,119)	(407)
Changes in operating assets and liabilities:		
Grants and other receivables	91,855	122,520
Pledges receivable	145,018	(264,849)
Prepaid expenses and other assets	(54,300)	(20,557)
Accounts payable and accrued expenses	(3,332)	112,858
Payroll and income taxes payable	(178,104)	106,707
Deferred revenue	(43,660)	(64,423)
Other current liabilities	96	(681)
Net Cash Provided by (Used in) Operating Activities	<u>(668,687)</u>	<u>970,317</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property	(3,143)	(5,507)
<b>Cash Flows From Financing Activities</b>		
Payments on capital lease obligations	<u>(3,450)</u>	<u>(4,299)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(675,280)</b>	<b>960,511</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u><b>1,907,251</b></u>	<u><b>946,740</b></u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u><b>\$ 1,231,971</b></u></u>	<u><u><b>\$ 1,907,251</b></u></u>
<b>Supplemental Information:</b>		
Interest paid	<u><u>\$ 111</u></u>	<u><u>\$ 511</u></u>
Income taxes paid	<u><u>\$ 161,781</u></u>	<u><u>\$ 63,747</u></u>

The accompanying notes are an integral part of these financial statements.

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**September 30, 2017 and 2016**

**Note 1: Summary of Significant Accounting Policies**

National Center for Healthy Housing, Inc. (the Center) was formed under the laws of Maryland in 1992 for charitable, educational, and scientific purposes to conduct research, demonstrations, training and capacity building, and public policy regarding healthy housing. The Center's wholly-owned subsidiary, Healthy Housing Solutions, Inc. (Solutions), was incorporated as a Maryland for-profit stock corporation in 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. The Center and Solutions are collectively referred to as the Organization. The accounting and reporting policies of the Organization conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of 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. Actual results could differ from those estimates.

Basis of Accounting and Principles of Consolidation: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. The consolidated financial statements include the accounts of National Center for Healthy Housing, Inc. and Healthy Housing Solutions, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue and Expense Recognition: Government and private grants are recognized based on the terms of the specific grant document. Grant revenue received in advance of the grant period is recorded as deferred revenue. Contributions are recognized when the donor makes an unconditional promise to give.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. An unconditional pledge to give support is recognized as a receivable and contribution in the year the pledge is made. Conditional pledges to give which depend on the occurrence of a specified future and uncertain event are not recognized as revenue until the condition has been met.

Contributions which are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the same year in which the contributions are recognized. All other donor-imposed restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Basis of Presentation: Generally accepted accounting principles require that the Center report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**September 30, 2017 and 2016**

**Note 1: Summary of Significant Accounting Policies (Continued)**

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Organization's actions. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents: The Organization classifies all investments that are readily convertible to cash and that have a maturity of three months or less when purchased as cash equivalents.

Grants and Other Receivables: Grants and other receivables are recorded net of an allowance for uncollectible receivables, based on management's evaluation of outstanding receivables at year end. The Organization has grants and cooperative agreements with U.S. Government agencies, various state agencies, and other private sources. Estimated losses are generally determined from historical collection experience and a review of outstanding receivables. Receivables are written off by management when, in their determination, all appropriate collection efforts have been taken. The Organization recorded an allowance for uncollectible receivables as of September 30, 2017 in the amount of \$5,995. The Organization has not recorded an allowance for uncollectible receivables as of September 30, 2016, since it is management's opinion that all outstanding receivables were collectible.

Pledges Receivable: Unconditional promises to give are recorded as pledges receivable and recognized as revenue in the period received. Unconditional pledges to be received in a future period are discounted to their net present value at the time the revenue is recorded. A provision is made for uncollectible pledges based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding pledges receivable. Pledges receivable are written off by management when, in their determination, all appropriate collection efforts have been taken. The Center has not recorded an allowance for uncollectible pledges as of September 30, 2017 and 2016, since it is management's opinion all outstanding pledges receivable are collectible.

Property and Depreciation: Property is stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 7 years. Expenditures for maintenance and routine repairs are charged to expense as incurred. Expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. Depreciation expense for the years ended September 30, 2017 and 2016 was \$17,491 and \$18,078, respectively.

Donated Materials and Services: Donated materials are reflected in the accompanying financial statements at their estimated fair value at date of receipt. Donated services are recorded only if the services provided require specialized skills provided by individuals possessing those skills, or if the services create or enhance a nonfinancial asset. There were no donated materials or services for the year ended September 30, 2017. For the year ended September 30, 2016, the fair value of consulting services was \$45,079, and has been included in total support and expenses in the financial statements.

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**September 30, 2017 and 2016**

**Note 1: Summary of Significant Accounting Policies (Continued)**

Income Taxes: The Center is exempt from federal and state income taxes under Internal Revenue Code §501(c) (3). Income that is not related to exempt purposes, less applicable reductions, is subject to federal and state income taxes. The Center had no unrelated business income for the years ended September 30, 2017 and 2016. The Center's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns are filed.

Solutions is taxed as a for-profit corporation under the Internal Revenue Code and applicable state statutes. Certain transactions of Solutions may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of Solutions reported for income tax purposes may differ from net income reflected in these financial statements. Deferred income taxes are provided to reflect the tax effect of these temporary differences between financial and income tax reporting. The federal and state income tax returns of Solutions are subject to examination by the Internal Revenue Service and state tax authorities generally for a period of three years after the returns are filed.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated financial statements. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated on the basis of estimates of the portion of time expended by the staff on various functions.

Subsequent Events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 21, 2018, the date the financial statements were available to be issued. During the period from October 1, 2017 to February 21, 2018 the Organization did not have any material recognizable subsequent events.

**Note 2: Pledges Receivable**

Pledges receivable consisted of the following as of September 30, 2017 and 2016:

	2017	2016
Pledges receivable	\$ 740,374	\$ 883,460
Less: Present value discount (3%)	(7,282)	(5,350)
Unconditional pledges receivable, net	<u>\$ 733,092</u>	<u>\$ 878,110</u>
Gross amounts due in:		
Less than one year	\$ 490,374	\$ 699,766
One to five years	250,000	183,694
Total unconditional pledges receivable	<u>\$ 740,374</u>	<u>\$ 883,460</u>

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**September 30, 2017 and 2016**

**Note 2: Pledges Receivable (Continued)**

The discounted pledges receivable are reflected in the consolidated statements of financial position as follows:

	2017	2016
Current portion	\$ 490,374	\$ 699,766
Non-current portion	242,718	178,344
	\$ 733,092	\$ 878,110

**Note 3: Short-Term Bank Borrowings**

On September 29, 2017, the Center renewed a \$100,000 revolving line of credit with Wells Fargo Bank, which expires on October 1, 2018. Borrowings under the line of credit bear interest at the greater of the prime rate plus 1.00% (4.25% as of September 30, 2017; 4.50% as of September 30, 2016) or 5.25%. There was no balance due under this line of credit as of September 30, 2017 and 2016.

On September 29, 2017, Solutions renewed a \$200,000 revolving line of credit with Wells Fargo Bank, expiring October 5, 2018, which is secured by substantially all of Solutions' assets and is guaranteed by the Center. Borrowings under the line of credit bear interest at the greater of the prime rate plus 1.00% (4.25% as of September 30, 2017; 4.50% as of September 30, 2016) or 5.25%. There was no balance due under this line of credit as of September 30, 2017 and 2016.

**Note 4: Capital Lease Obligation**

During 2012, the Center entered into a capital lease agreement for the purchase of a telephone system. The lease expired in July 2017 and the title to the equipment was transferred to the Center. Interest expense amounted to \$111 and \$511 for the years ended September 30, 2017 and 2016, respectively.

The following is an analysis of the leased asset included in office equipment at September 30, 2016:

	2016
Office equipment	\$ 19,643
Less: Accumulated depreciation	11,926
Net leased property	\$ 7,717

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**September 30, 2017 and 2016**

**Note 5: Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
The Kresge Foundation	\$ 500,000	\$ -0-
W.K. Kellogg Foundation	318,762	481,427
The Harry and Jeanette Weinberg Foundation, Inc.	208,021	286,367
Schwab Charitable Fund	206,209	561,860
Wells Fargo Housing Foundation	174,888	-0-
The Archstone Foundation	116,641	122,755
Environmental Defense Fund	15,713	23,711
MacArthur Foundation	-0-	489,497
The Retirement Research Foundation	-0-	88,319
<b>Total</b>	<b><u>\$ 1,540,234</u></b>	<b><u>\$ 2,053,936</u></b>

Net assets were released from donor restrictions for the years ended September 30, 2017 and 2016 by incurring expenses satisfying the restricted purposes, by occurrence of other events or by satisfaction of time restrictions. Below are the details of these net assets that were released from restriction.

	<u>2017</u>	<u>2016</u>
Schwab Charitable Fund	\$ 355,651	\$ 438,140
The Kresge Foundation	250,000	250,182
W.K. Kellogg Foundation	162,666	124,579
Wells Fargo Housing Foundation	125,112	183,899
The Retirement Research Foundation	88,319	11,681
The Harry and Jeanette Weinberg Foundation, Inc.	78,346	43,633
MacArthur Foundation	9,226	55,435
Environmental Defense Fund	7,998	4,289
The Archstone Foundation	6,114	8,644
Oak Hill Foundation	-0-	76,704
<b>Total</b>	<b><u>\$ 1,083,432</u></b>	<b><u>\$ 1,197,186</u></b>

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**September 30, 2017 and 2016**

**Note 6: Retirement Plan**

The Organization has a 401(k) plan (the Plan) that permits voluntary contributions to this Plan by employees of the Center and Solutions. The plan covers all employees who meet its eligibility requirements. The Plan provides for employer matching contributions 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 Organization's management. For the years ended September 30, 2017 and 2016, the Organization made matching contributions of \$52,631 and \$45,636 respectively, and discretionary contributions of \$14,412 and \$10,000 respectively, or one percent (1%) of eligible compensation, to the Plan.

**Note 7: Income Tax Provision**

The provision for (recovery of) income taxes for the years ended September 30, 2017 and 2016 consist of the following components:

	2017	2016
Federal and state income taxes currently (receivable) payable	\$ (65,758)	\$ 229,948
Change in deferred income taxes	(1,119)	(407)
Total provision for (recovery of) income taxes	\$ (66,877)	\$ 229,541

The provision for (recovery of) income taxes reflect effective tax rates which result from the applicability of federal statutory graduated rates.

Solutions computes deferred income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Solutions provides for the recognition and measurement of deferred income tax benefits based on the likelihood of their realization in future years. A valuation allowance must be established to reduce deferred income tax benefits if it is more likely than not that a portion of the benefits will not be realized.

The tax effects of the temporary differences between financial and income tax accounting that give rise to Solutions' deferred tax assets and deferred tax liabilities as of September 30, 2017 and 2016 relate to differences in depreciation. The deferred tax liability related to the difference was \$2,341 and \$3,460 as of September 30, 2017 and 2016, respectively.

**Note 8: Concentration of Credit Risk**

The Organization receives a substantial portion of its revenue from federal grants and contracts, primarily from the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. If a significant reduction of funding occurs, it may have a significant impact on the Organization's programs. For the years ended September 30, 2017 and 2016, direct and indirect federal grants and contracts represented 60% and 63%, respectively, of the Organization's total revenue and support. Management does not anticipate any significant reduction in future funding from federal agencies.

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**September 30, 2017 and 2016**

**Note 9: Operating Leases**

On April 3, 2017, the Center amended its lease agreement for its main office in Columbia, MD through October 31, 2020. The lease provides for monthly payments of \$9,676 through October 31, 2018 with an increase of 3% per annum for the period November 1, 2018 through October 31, 2020. The lease also calls for the tenant to pay for its share of operating costs and real estate taxes.

On March 15, 2016, the Center renewed its agreement with another non-profit organization in Washington, D.C. for an office space sharing agreement through March 31, 2017. The agreement required monthly payments of \$1,144. The Center gave 30 days' notice to terminate this lease effective February 15, 2017.

Rent expense for office space totaled to \$120,731 and \$132,481 for the years ended September 30, 2017 and 2016, respectively.

The Center leases a copier under a non-cancelable operating lease expiring in September 2022. Lease expense under this agreement for the years ended September 30, 2017 and 2016 was \$1,140 and \$0, respectively.

The Center leases a copier under a non-cancelable operating lease expiring in July 2017. Lease expense under this agreement for the years ended September 30, 2017 and 2016 was \$3,768 and \$4,187 respectively.

The Center leased a postage meter under a non-cancelable operating lease that expired April 30, 2016 and was renewed as a month-to-month thereafter. Lease expense under this agreement for the years ended September 30, 2017 and 2016 was \$336 and \$260, respectively.

The future minimum annual rental payments under the current leases as of September 30, 2017 are as follows:

Year ending September 30:	
2018	\$ 120,505
2019	123,328
2020	126,304
2021	14,726
2022	<u>4,560</u>
Total	<u>\$ 389,423</u>

**Note 10: Compliance with Grantor or Donor Restrictions**

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.



**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**September 30, 2017 and 2016**

**Note 11: Uninsured Balances**

The Organization maintains its cash balances at various financial institutions. Periodically during the year, the Organization's cash balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2017 AND 2016**

**Independent Auditor's Report on Supplementary Information**

To the Board of Directors  
National Center for Healthy Housing, Inc.

We have audited the consolidated financial statements of National Center for Healthy Housing, Inc. and Subsidiary as of and for the years ended September 30, 2017 and 2016, have issued our report thereon dated February 21, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on the following pages is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Gross, Mendelsohn & Associates, P.A.*

Baltimore, Maryland  
February 21, 2018

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Consolidating Statements of Financial Position**  
**September 30, 2017 and 2016**

	2017			
Assets	National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 845,961	\$ 386,010	\$ -0-	\$ 1,231,971
Grants and other receivables, net	312,344	94,970	(3,543)	403,771
Pledges receivable, current	490,374	-0-	-0-	490,374
Prepaid expenses and other assets	40,634	72,133	-0-	112,767
Total Current Assets	<u>1,689,313</u>	<u>553,113</u>	<u>(3,543)</u>	<u>2,238,883</u>
<b>Property</b>				
Office equipment	95,589	34,321	-0-	129,910
Less: Accumulated depreciation	75,357	22,450	-0-	97,807
Net Property	<u>20,232</u>	<u>11,871</u>	<u>-0-</u>	<u>32,103</u>
<b>Other Assets</b>				
Pledges receivable, noncurrent	242,718	-0-	-0-	242,718
Investment in subsidiary	495,476	-0-	(495,476)	-0-
Total Other Assets	<u>738,194</u>	<u>-0-</u>	<u>(495,476)</u>	<u>242,718</u>
<b>Total Assets</b>	<u>\$ 2,447,739</u>	<u>\$ 564,984</u>	<u>\$ (499,019)</u>	<u>\$ 2,513,704</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 193,210	\$ 55,302	\$ (3,543)	\$ 244,969
Accrued expenses	51,011	11,277	-0-	62,288
Payroll and income taxes payable	-0-	-0-	-0-	-0-
Deferred revenue	29,740	-0-	-0-	29,740
Current maturities of capital lease obligation	-0-	-0-	-0-	-0-
Other current liabilities	-0-	588	-0-	588
Total Current Liabilities	<u>273,961</u>	<u>67,167</u>	<u>(3,543)</u>	<u>337,585</u>
<b>Non-Current Liabilities</b>				
Deferred income taxes	-0-	2,341	-0-	2,341
<b>Total Liabilities</b>	<u>273,961</u>	<u>69,508</u>	<u>(3,543)</u>	<u>339,926</u>
<b>Net Assets and Equity</b>				
Unrestricted	633,544	-0-	-0-	633,544
Temporarily restricted	1,540,234	-0-	-0-	1,540,234
Retained earnings	-0-	495,376	(495,376)	-0-
Common stock	-0-	100	(100)	-0-
Total Net Assets and Equity	<u>2,173,778</u>	<u>495,476</u>	<u>(495,476)</u>	<u>2,173,778</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,447,739</u>	<u>\$ 564,984</u>	<u>\$ (499,019)</u>	<u>\$ 2,513,704</u>

**2016**

<b>National Center For Healthy Housing, Inc.</b>	<b>Healthy Housing Solutions, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
\$ 1,175,948	\$ 731,303	\$ -0-	\$ 1,907,251
173,545	341,645	(13,528)	501,662
699,766	-0-	-0-	699,766
49,952	8,515	-0-	58,467
<u>2,099,211</u>	<u>1,081,463</u>	<u>(13,528)</u>	<u>3,167,146</u>
93,702	33,064	-0-	126,766
62,969	17,347	-0-	80,316
<u>30,733</u>	<u>15,717</u>	<u>-0-</u>	<u>46,450</u>
178,344	-0-	-0-	178,344
683,752	-0-	(683,752)	-0-
<u>862,096</u>	<u>-0-</u>	<u>(683,752)</u>	<u>178,344</u>
<u>\$ 2,992,040</u>	<u>\$ 1,097,180</u>	<u>\$ (697,280)</u>	<u>\$ 3,391,940</u>
\$ 71,227	\$ 142,405	\$ (13,528)	\$ 200,104
21,517	88,967	-0-	110,484
-0-	178,104	-0-	178,104
73,400	-0-	-0-	73,400
3,450	-0-	-0-	3,450
-0-	492	-0-	492
<u>169,594</u>	<u>409,968</u>	<u>(13,528)</u>	<u>566,034</u>
-0-	3,460	-0-	3,460
<u>169,594</u>	<u>413,428</u>	<u>(13,528)</u>	<u>569,494</u>
768,510	-0-	-0-	768,510
2,053,936	-0-	-0-	2,053,936
-0-	683,652	(683,652)	-0-
-0-	100	(100)	-0-
<u>2,822,446</u>	<u>683,752</u>	<u>(683,752)</u>	<u>2,822,446</u>
<u>\$ 2,992,040</u>	<u>\$ 1,097,180</u>	<u>\$ (697,280)</u>	<u>\$ 3,391,940</u>

**NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY**  
**Consolidating Statements of Activities**  
**Years Ended September 30, 2017 and 2016**

	2017			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Total
<b>Support and Revenue</b>				
Grants and contracts	\$ 1,259,605	\$ 1,483,752	\$ (16,908)	\$ 2,726,449
Contributions	578,906	-0-	-0-	578,906
Interest income	324	52	-0-	376
Other revenue	62,949	15,299	(51,600)	26,648
Total Support and Revenue	<u>1,901,784</u>	<u>1,499,103</u>	<u>(68,508)</u>	<u>3,332,379</u>
<b>Expenses</b>				
Salaries and fringe benefits	1,243,811	532,891	-0-	1,776,702
Consultants	811,486	555,143	(68,508)	1,298,121
Professional fees	108,137	65,834	-0-	173,971
Rent	75,199	45,532	-0-	120,731
Interest expense	111	-0-	-0-	111
Others	223,432	454,856	-0-	678,288
Total Expenses	<u>2,462,176</u>	<u>1,654,256</u>	<u>(68,508)</u>	<u>4,047,924</u>
<b>Change in Net Assets Before Earnings from Wholly Owned Subsidiary and Income Taxes</b>	(560,392)	(155,153)	-0-	(715,545)
<b>Provision for (Recovery of) Income Taxes</b>	<u>-0-</u>	<u>(66,877)</u>	<u>-0-</u>	<u>(66,877)</u>
<b>Change in Net Assets Before Earnings from Subsidiary</b>	(560,392)	(88,276)	-0-	(648,668)
<b>Earnings from Subsidiary</b>	<u>(88,276)</u>	<u>-0-</u>	<u>88,276</u>	<u>-0-</u>
<b>Change in Net Assets</b>	(648,668)	(88,276)	88,276	(648,668)
<b>Net Assets - Beginning of Year</b>	2,822,446	683,752	(683,752)	2,822,446
<b>Dividends Paid</b>	<u>-0-</u>	<u>(100,000)</u>	<u>100,000</u>	<u>-0-</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,173,778</u>	<u>\$ 495,476</u>	<u>\$ (495,476)</u>	<u>\$ 2,173,778</u>

**2016**

<b>National Center For Healthy Housing, Inc.</b>	<b>Healthy Housing Solutions, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
\$ 1,010,501	\$ 3,888,947	\$ (26,631)	\$ 4,872,817
2,053,323	-0-	-0-	2,053,323
520	1,015	-0-	1,535
65,176	1,673	(53,436)	13,413
<u>3,129,520</u>	<u>3,891,635</u>	<u>(80,067)</u>	<u>6,941,088</u>
1,283,133	752,633	-0-	2,035,766
839,885	2,018,029	(28,467)	2,829,447
97,764	70,999	-0-	168,763
89,605	42,876	-0-	132,481
453	58	-0-	511
193,606	441,502	(51,600)	583,508
<u>2,504,446</u>	<u>3,326,097</u>	<u>(80,067)</u>	<u>5,750,476</u>
625,074	565,538	-0-	1,190,612
-0-	229,541	-0-	229,541
625,074	335,997	-0-	961,071
335,997	-0-	(335,997)	-0-
961,071	335,997	(335,997)	961,071
1,861,375	422,755	(422,755)	1,861,375
-0-	(75,000)	75,000	-0-
<u>\$ 2,822,446</u>	<u>\$ 683,752</u>	<u>\$ (683,752)</u>	<u>\$ 2,822,446</u>

