GROSS MENDELSOHN
ACCOUNTING | TECHNOLOGY | WEALTH ADVISORY

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019 AND 2018

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Independent Auditor's Report

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, 2019 and 2018, 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, 2019 and 2018, 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
January 28, 2020

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	**$ 708,684**	$ 670,536
Grants and other receivables	**348,579**	478,760
Pledges receivable	**245,107**	256,680
Prepaid expenses and other assets	**35,997**	33,898
Total Current Assets	**1,338,367**	1,439,874
Property		
Office equipment	**149,643**	132,094
Less: Accumulated depreciation	**127,673**	114,094
Net Property	**21,970**	18,000
Other Assets		
Deferred tax asset	**-0-**	38,478
Total Assets	**$ 1,360,337**	$ 1,496,352
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 72,352**	$ 107,000
Accrued expenses	**102,033**	71,228
Deferred revenue	**21,151**	7,980
Other current liabilities	**646**	2,532
Total Current Liabilities	**196,182**	188,740
Commitments (Notes 4, 6 and 9)		
Net Assets		
Without donor restrictions	**380,647**	491,230
With donor restrictions	**783,508**	816,382
Total Net Assets	**1,164,155**	1,307,612
Total Liabilities and Net Assets	**$ 1,360,337**	$ 1,496,352

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidated Statements of Activities
Years Ended September 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and contracts	$ 2,113,935	$ -0-	$ 2,113,935
Contributions	338,728	1,100,000	1,438,728
Interest income	294	-0-	294
Other revenue	4,916	-0-	4,916
	2,457,873	1,100,000	3,557,873
Net assets released from restriction	1,132,874	(1,132,874)	-0-
Total Support and Revenue	3,590,747	(32,874)	3,557,873
Expenses			
Program	3,471,843	-0-	3,471,843
General and administrative	138,590	-0-	138,590
Fundraising	52,419	-0-	52,419
Total Expenses	3,662,852	-0-	3,662,852
Change in Net Assets Before Provision for (Recovery of) Income Taxes	(72,105)	(32,874)	(104,979)
Provision for (Recovery of) Income Taxes	38,478	-0-	38,478
Change in Net Assets	(110,583)	(32,874)	(143,457)
Net Assets - Beginning of Year	491,230	816,382	1,307,612
Net Assets - End of Year	$ 380,647	$ 783,508	$ 1,164,155

2018			
Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
$ 2,276,284	$ -0-	$ 2,276,284	$ (162,349)
13,563	350,000	363,563	1,075,165
266	-0-	266	28
28,325	-0-	28,325	(23,409)
2,318,438	350,000	2,668,438	889,435
1,073,852	(1,073,852)	-0-	-0-
3,392,290	(723,852)	2,668,438	889,435
3,351,123	-0-	3,351,123	120,720
170,435	-0-	170,435	(31,845)
51,245	-0-	51,245	1,174
3,572,803	-0-	3,572,803	90,049
(180,513)	(723,852)	(904,365)	799,386
(38,199)	-0-	(38,199)	76,677
(142,314)	(723,852)	(866,166)	$ 722,709
633,544	1,540,234	2,173,778	
$ 491,230	$ 816,382	$ 1,307,612	

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidated Statements of Functional Expenses
Years Ended September 30, 2019 and 2018

	2019			
	Program Services	General and Administrative	Fundraising	Total
Salaries and fringe benefits	$ 1,340,127	$ 290,676	$ 32,596	$ 1,663,399
Consultants	1,065,670	56,555	4,740	1,126,965
Grants	300,000	-0-	-0-	300,000
Professional fees	-0-	152,718	-0-	152,718
Rent	-0-	118,768	-0-	118,768
Other costs and supplies	92,769	-0-	-0-	92,769
Travel	50,100	2,908	-0-	53,008
Software	6,694	17,401	-0-	24,095
Insurance	-0-	23,691	-0-	23,691
Telecommunications	132	19,671	-0-	19,803
Depreciation	-0-	13,579	-0-	13,579
Trustee expenses	-0-	11,731	-0-	11,731
Meetings and conferences	8,829	1,989	100	10,918
Equipment rental and maintenance	-0-	10,116	-0-	10,116
Postage and delivery	7,096	1,503	-0-	8,599
Dues and subscriptions	475	7,218	-0-	7,693
Payroll processing	-0-	7,381	-0-	7,381
Storage	-0-	6,211	-0-	6,211
Training and professional development	-0-	3,946	-0-	3,946
Office supplies	84	2,643	-0-	2,727
Bank service fees	-0-	1,402	-0-	1,402
Miscellaneous	-0-	1,155	-0-	1,155
Bad debt expense	-0-	1,099	-0-	1,099
Temporary help	-0-	890	-0-	890
Printing and reproduction	-0-	189	-0-	189
Interest expense	-0-	-0-	-0-	-0-
Indirect cost allocation	599,867	(614,850)	14,983	-0-
Total Expenses	$ 3,471,843	$ 138,590	$ 52,419	$ 3,662,852

2018				
Program Services	General and Administrative	Fundraising	Total	Increase (Decrease)
$ 1,227,787	$ 408,210	$ 26,038	$ 1,662,035	$ 1,364
933,886	108,711	8,010	1,050,607	76,358
25,000	-0-	-0-	25,000	275,000
-0-	159,905	-0-	159,905	(7,187)
-0-	115,945	-0-	115,945	2,823
262,453	-0-	-0-	262,453	(169,684)
70,131	10,809	-0-	80,940	(27,932)
12,846	17,058	-0-	29,904	(5,809)
-0-	25,213	-0-	25,213	(1,522)
375	21,135	-0-	21,510	(1,707)
-0-	16,287	-0-	16,287	(2,708)
-0-	12,937	-0-	12,937	(1,206)
16,613	21,183	2,480	40,276	(29,358)
-0-	9,771	-0-	9,771	345
6,747	1,459	163	8,369	230
1,225	7,440	99	8,764	(1,071)
-0-	6,902	-0-	6,902	479
-0-	5,341	-0-	5,341	870
-0-	2,333	-0-	2,333	1,613
550	5,325	-0-	5,875	(3,148)
-0-	1,780	-0-	1,780	(378)
-0-	16,618	-0-	16,618	(15,463)
-0-	-0-	-0-	-0-	1,099
-0-	2,878	-0-	2,878	(1,988)
-0-	750	-0-	750	(561)
-0-	410	-0-	410	(410)
793,510	(807,965)	14,455	-0-	-0-
$ 3,351,123	$ 170,435	$ 51,245	$ 3,572,803	$ 90,049

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	**$ (143,457)**	$ (866,166)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	**1,099**	-0-
Depreciation	**13,579**	16,287
Deferred income taxes	**38,478**	(40,819)
Changes in operating assets and liabilities:		
Grants and other receivables	**129,082**	(74,989)
Pledges receivable	**11,573**	476,412
Prepaid expenses and other assets	**(2,099)**	78,869
Accounts payable and accrued expenses	**(3,843)**	(129,029)
Deferred revenue	**13,171**	(21,760)
Other current liabilities	**(1,886)**	1,944
Net Cash Provided by (Used in) Operating Activities	**55,697**	(559,251)
Cash Flows from Investing Activities		
Purchase of property	**(17,549)**	(2,184)
Net Increase (Decrease) in Cash and Cash Equivalents	**38,148**	(561,435)
Cash and Cash Equivalents at Beginning of Year	**670,536**	1,231,971
Cash and Cash Equivalents at End of Year	**$ 708,684**	$ 670,536
Supplemental Information:		
Interest paid	**$ -0-**	$ 410
Income taxes paid	**$ -0-**	$ -0-

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

Note 1: Nature of Organization and 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 consolidated 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 without donor restrictions or with donor restriction, 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 net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 Center 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 Center has not recorded an allowance for uncollectible receivables since it is management’s opinion that all outstanding receivables are collectible.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

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 since it is management's opinion that 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, 2019 and 2018 was $13,579 and $16,287, respectively.

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

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

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

Donated Materials and Services: Donated materials are reflected in the accompanying consolidated 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. Various individuals and businesses have donated goods and services to the Center. The fair value of these items has been included in total support and expenses in the consolidated financial statements. In kind services provided relate to identifying and addressing residential needs. The value of these in-kind services was $230,395 and $-0- for the years ended September 30, 2019 and 2018, respectively.

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, 2019 and 2018. 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.

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

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.

<u>Functional Allocation of Expenses</u>: 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, square footage, or other criteria.

<u>Recently Issued Accounting Pronouncements</u>: During the year ended September 30, 2019, the Center implemented the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* which is effective for fiscal years beginning after December 15, 2017. Accordingly, the beginning balances for the donor restricted net asset categories (temporarily and permanently restricted) have been retroactively adjusted to consolidate all donor restricted net assets into one classification, *with donor restrictions*. The ASU requires additional disclosures in the areas of liquidity and requires reclassification of investment expenses which are netted in net investment return to include internal investment expenses.

The FASB issued ASU 2016-02, *Leases*, which will be effective for fiscal years beginning after December 15, 2020. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance on leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the consolidated statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt the standard and will assess the future impact on any leases.

<u>Subsequent Events</u>: In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 28, 2020, the date the consolidated financial statements were available to be issued. During the period from October 1, 2019 to January 28, 2020, the Organization did not have any material recognizable subsequent events.

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of the financial position date comprise the following:

	2019	2018
Cash and cash equivalents	$ 708,684	$ 670,536
Grants and other receivables	348,579	478,760
Pledges receivable	245,107	256,680
Financial Assets Available for General Expenditure	$ 1,302,370	$ 1,405,976

The Organization receives significant contract revenue, contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintain adequate liquid assets to fund near-term operating needs.

Note 3: Pledges Receivable

Pledges receivable consisted of the following at September 30, 2019 and 2018:

	2019	2018
Pledges receivable	$ 245,107	$ 256,680
Less: Present value discount (3%)	-0-	-0-
Unconditional pledges receivable, net	$ 245,107	$ 256,680
Gross amounts due in less than one year	$ 245,107	$ 256,680

Note 4: Short-Term Bank Borrowings

The Center had a $100,000 revolving line of credit with Wells Fargo Bank, which expired on October 1, 2018. Borrowings under the line of credit beared interest at the greater of the prime rate plus 1.00% (5.25% as of September 30, 2018) or 6.00%. The line of credit was not renewed during fiscal year 2019 and there was no balance due as of September 30, 2018.

Solutions had a $200,000 revolving line of credit with Wells Fargo Bank, which expired on October 5, 2018. The line of credit was secured by substantially all of Solutions' assets and was guaranteed by the Center. Borrowings under the line of credit beared interest at the greater of the prime rate plus 1.00% (5.25% as of September 30, 2018) or 6.00%. The line of credit was not renewed during fiscal year 2019 and there was no balance due as of September 30, 2018. Interest expense amounted to $410 for the year ended September 30, 2018.

Note 5: Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of September 30, 2019 and 2018:

	2019	2018
Subject to expenditure for specified purpose:		
Robert Wood Johnson Foundation	$ 334,976	$ -0-
The JPB Foundation	320,942	324,120
The New York Community Trust	69,711	-0-
The Archstone Foundation	37,765	69,096
W.K. Kellogg Foundation	20,114	103,653
The Kresge Foundation	-0-	249,996
The Harry and Jeanette Weinberg Foundation	-0-	69,517
Total	$ 783,508	$ 816,382

Net assets were released from donor restrictions for the years ended September 30, 2019 and 2018 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.

	2019	2018
Subject to expenditure for specified purpose:		
The JPB Foundation	$ 353,178	$ 25,880
Robert Wood Johnson Foundation	315,024	-0-
The Kresge Foundation	249,996	250,004
W.K. Kellogg Foundation	83,539	215,109
The Harry and Jeanette Weinberg Foundation	69,517	138,504
The Archstone Foundation	31,331	47,545
The New York Community Trust	30,289	-0-
Schwab Charitable Fund	-0-	206,209
Wells Fargo Housing Foundation	-0-	174,888
Environmental Defense Fund	-0-	15,713
Total	$ 1,132,874	$ 1,073,852

Note 6: Retirement Plan

The Center 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, 2019 and 2018, the Center made matching contributions of $53,483 and $44,328 respectively, and discretionary contributions of $10,000 and $-0- respectively, or one percent (1%) of eligible compensation, to the Plan.

Note 7: Income Tax Provision

The recovery of income taxes for the years ended September 30, 2019 and 2018 consist of the following components:

	2019	2018
Federal and state income taxes currently payable (receivable)	$ -0-	$ 2,620
Change in deferred income taxes	(38,635)	(40,819)
Less valuation allowance	77,113	-0-
Total provision for (recovery of) income taxes	$ 38,478	$ (38,199)

The recovery of income taxes reflects effective tax rates which result from the applicability of federal and state statutory 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 has been established to reduce deferred income tax benefits that is more likely than not that 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, 2019 and 2018 relate to differences in depreciation and operating loss carryforwards that are available to offset future taxable income. The refundable tax asset related to the difference was $-0- and $38,478 as of September 30, 2019 and 2018, 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, 2019 and 2018, direct and indirect federal grants and contracts represented 39% and 61%, respectively, of the Organization's total revenue and support. Management does not anticipate any significant reduction in future funding from federal agencies.

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.

Rent expense for office space totaled to $118,768 and $115,945 for the years ended September 30, 2019 and 2018, 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, 2019 and 2018 was $4,560.

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 lease thereafter. Lease expense under this agreement for the years ended September 30, 2019 and 2018 was $336.

The future minimum annual rental payments under the current leases as of September 30, 2019 are as follows:

Year ending September 30:		
2020	$	126,304
2021		14,726
2022		4,560
Total	$	145,590

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.

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, 2019 AND 2018

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, 2019 and 2018, have issued our report thereon dated January 28, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted 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 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 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 for the years ended September 30, 2019 and 2018, as a whole.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
January 28, 2020

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidating Statements of Financial Position
September 30, 2019 and 2018

	2019			
Assets	**National Center For Healthy Housing, Inc.**	**Healthy Housing Solutions Inc.**	**Eliminations**	**Total**
Current Assets				
Cash and cash equivalents	$ 558,771	$ 149,913	$ -0-	$ 708,684
Grants and other receivables	341,362	16,506	(9,289)	348,579
Pledges receivable	245,107	-0-	-0-	245,107
Prepaid expenses and other assets	33,908	2,089	-0-	35,997
Total Current Assets	1,179,148	168,508	(9,289)	1,338,367
Property				
Office equipment	108,440	41,203	-0-	149,643
Less: Accumulated depreciation	95,196	32,477	-0-	127,673
Net Property	13,244	8,726	-0-	21,970
Other Assets				
Deferred tax asset	-0-	-0-	-0-	-0-
Investment in subsidiary	153,617	-0-	(153,617)	-0-
Total Other Assets	153,617	-0-	(153,617)	-0-
Total Assets	$ 1,346,009	$ 177,234	$ (162,906)	$ 1,360,337
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 62,109	$ 19,532	$ (9,289)	$ 72,352
Accrued expenses	97,948	4,085	-0-	102,033
Deferred revenue	21,151	-0-	-0-	21,151
Other current liabilities	646	-0-	-0-	646
Total Current Liabilities	181,854	23,617	(9,289)	196,182
Net Assets and Equity				
Without donor restrictions	380,647	-0-	-0-	380,647
With donor restrictions	783,508	-0-	-0-	783,508
Retained earnings	-0-	153,517	(153,517)	-0-
Common stock	-0-	100	(100)	-0-
Total Net Assets and Equity	1,164,155	153,617	(153,617)	1,164,155
Total Liabilities and Net Assets	$ 1,346,009	$ 177,234	$ (162,906)	$ 1,360,337

2018			
National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
$ 593,175	$ 77,361	$ -0-	$ 670,536
227,482	267,084	(15,806)	478,760
256,680	-0-	-0-	256,680
32,752	1,146	-0-	33,898
1,110,089	345,591	(15,806)	1,439,874
96,899	35,195	-0-	132,094
86,618	27,476	-0-	114,094
10,281	7,719	-0-	18,000
-0-	38,478	-0-	38,478
335,187	-0-	(335,187)	-0-
335,187	38,478	(335,187)	38,478
$ 1,455,557	$ 391,788	$ (350,993)	$ 1,496,352
$ 81,666	$ 41,140	$ (15,806)	$ 107,000
57,376	13,852	-0-	71,228
7,980	-0-	-0-	7,980
923	1,609	-0-	2,532
147,945	56,601	(15,806)	188,740
491,230	-0-	-0-	491,230
816,382	-0-	-0-	816,382
-0-	335,087	(335,087)	-0-
-0-	100	(100)	-0-
1,307,612	335,187	(335,187)	1,307,612
$ 1,455,557	$ 391,788	$ (350,993)	$ 1,496,352

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidating Statements of Activities
Years Ended September 30, 2019 and 2018

	2019			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
Support and Revenue				
Grants and contracts	$ 1,577,571	$ 678,170	$ (141,806)	$ 2,113,935
Contributions	1,438,728	-0-	-0-	1,438,728
Interest income	249	45	-0-	294
Other revenue	52,610	3,906	(51,600)	4,916
Total Support and Revenue	3,069,158	682,121	(193,406)	3,557,873
Expenses				
Salaries and fringe benefits	1,368,397	295,002	-0-	1,663,399
Consultants	959,170	361,201	(193,406)	1,126,965
Professional fees	98,769	53,949	-0-	152,718
Rent	71,261	47,507	-0-	118,768
Interest expense	-0-	-0-	-0-	-0-
Others	533,448	67,554	-0-	601,002
Total Expenses	3,031,045	825,213	(193,406)	3,662,852
Change in Net Assets Before Earnings from Wholly Owned Subsidiary and Income Taxes	38,113	(143,092)	-0-	(104,979)
Provision for (Recovery of) Income Taxes	-0-	38,478	-0-	38,478
Change in Net Assets Before Earnings (Losses) from Subsidiary	38,113	(181,570)	-0-	(143,457)
Earnings (Losses) from Subsidiary	(181,570)	-0-	181,570	-0-
Change in Net Assets	(143,457)	(181,570)	181,570	(143,457)
Net Assets - Beginning of Year	1,307,612	335,187	(335,187)	1,307,612
Dividends Paid	-0-	-0-	-0-	-0-
Net Assets - End of Year	$ 1,164,155	$ 153,617	$ (153,617)	$ 1,164,155

2018			
National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
$ 1,085,438	$ 1,224,848	$ (34,002)	$ 2,276,284
363,563	-0-	-0-	363,563
190	76	-0-	266
60,157	19,768	(51,600)	28,325
1,509,348	1,244,692	(85,602)	2,668,438
1,190,173	471,862	-0-	1,662,035
682,695	453,514	(85,602)	1,050,607
93,878	66,027	-0-	159,905
69,571	46,374	-0-	115,945
-0-	410	-0-	410
228,908	354,993	-0-	583,901
2,265,225	1,393,180	(85,602)	3,572,803
(755,877)	(148,488)	-0-	(904,365)
-0-	(38,199)	-0-	(38,199)
(755,877)	(110,289)	-0-	(866,166)
(110,289)	-0-	110,289	-0-
(866,166)	(110,289)	110,289	(866,166)
2,173,778	495,476	(495,476)	2,173,778
-0-	(50,000)	50,000	-0-
$ 1,307,612	$ 335,187	$ (335,187)	$ 1,307,612

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