

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2022 AND 2021

TABLE OF CONTENTS

	<u>Page Numbers</u>
Independent Auditor's Report.....	1-3
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5-6
Consolidated Statements of Functional Expenses	7-8
Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements.....	10-17
Supplementary Information:	
Schedule of Expenditures of Federal Awards	18-19
Notes to Consolidated Schedule of Expenditures of Federal Awards	20
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	23-25
Schedule of Findings and Questioned Costs	26-27
Independent Auditor's Report on the Consolidating Supplementary Information	28
Consolidating Statements of Financial Position	29-30
Consolidating Statements of Activities	31-32

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of National Center for Healthy Housing, Inc. and subsidiary (the Organization), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of National Center for Healthy Housing Inc. and subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Center for Healthy Housing, Inc. and subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 National Center for Healthy Housing, Inc. and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Center for Healthy Housing, Inc. and subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Independent Auditor's Report (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2023, on our consideration of 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of National Center for Healthy Housing, Inc. and subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering National Center for Healthy Housing, Inc. and subsidiary's internal control over financial reporting and compliance.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
February 28, 2023

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 641,991	\$ 467,040
Grants and other receivables	573,065	424,675
Pledges receivable	470,000	44,500
Employee retention credit receivable	86,163	-0-
Prepaid expenses and other assets	28,188	24,262
Total Current Assets	<u>1,799,407</u>	<u>960,477</u>
Property		
Office equipment	55,368	60,264
Less: Accumulated depreciation	34,222	39,551
Net Property	<u>21,146</u>	<u>20,713</u>
Other Asset		
Deferred tax asset	<u>53,519</u>	<u>65,900</u>
Total Assets	<u><u>\$ 1,874,072</u></u>	<u><u>\$ 1,047,090</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 41,419	\$ 40,315
Current maturity of long-term debt	-0-	1,542
Accrued expenses	82,189	50,222
Deferred revenue	69,624	47,243
Total Current Liabilities	<u>193,232</u>	<u>139,322</u>
Non-Current Liability		
Long-term debt, net of current maturity	<u>113,900</u>	<u>112,358</u>
Total Liabilities	<u>307,132</u>	<u>251,680</u>
Commitments (Notes 5, 7 and 10)		
Net Assets		
Without donor restrictions	377,115	202,488
With donor restrictions	1,189,825	592,922
Total Net Assets	<u>1,566,940</u>	<u>795,410</u>
Total Liabilities and Net Assets	<u><u>\$ 1,874,072</u></u>	<u><u>\$ 1,047,090</u></u>

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, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and contracts	\$ 1,609,151	\$ -0-	\$ 1,609,151
Contributions	35,455	1,200,000	1,235,455
Gifts-in-kind	18,352	-0-	18,352
Interest income	3,016	-0-	3,016
Other revenue	4,232	-0-	4,232
	<u>1,670,206</u>	<u>1,200,000</u>	<u>2,870,206</u>
Net assets released from restriction	<u>603,097</u>	<u>(603,097)</u>	<u>-0-</u>
Total Support and Revenue	<u>2,273,303</u>	<u>596,903</u>	<u>2,870,206</u>
Expenses			
Program	2,228,422	-0-	2,228,422
General and administrative	8,322	-0-	8,322
Fundraising	47,046	-0-	47,046
Total Expenses	<u>2,283,790</u>	<u>-0-</u>	<u>2,283,790</u>
Change in Net Assets before Other Income (Expenses)	(10,487)	596,903	586,416
Other Income (Expenses)			
Employee Retention Credit	198,961	-0-	198,961
PPP loan forgiveness	-0-	-0-	-0-
Loss on disposals	(973)	-0-	(973)
Total Other Income	<u>197,988</u>	<u>-0-</u>	<u>197,988</u>
Change in Net Assets after Other Income (Expenses) before Recovery of Income Taxes	187,501	596,903	784,404
Income Tax Expense (Recovery)	<u>12,874</u>	<u>-0-</u>	<u>12,874</u>
Change in Net Assets	174,627	596,903	771,530
Net Assets - Beginning of Year	<u>202,488</u>	<u>592,922</u>	<u>795,410</u>
Net Assets - End of Year	<u>\$ 377,115</u>	<u>\$ 1,189,825</u>	<u>\$ 1,566,940</u>

2021			
Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 1,631,523	\$ -0-	\$ 1,631,523	\$ (22,372)
64,624	139,000	203,624	1,031,831
52,986	-0-	52,986	(34,634)
1,879	-0-	1,879	1,137
569	-0-	569	3,663
1,751,581	139,000	1,890,581	979,625
497,433	(497,433)	-0-	-0-
2,249,014	(358,433)	1,890,581	979,625
2,161,435	-0-	2,161,435	66,987
263,415	-0-	263,415	(255,093)
58,236	-0-	58,236	(11,190)
2,483,086	-0-	2,483,086	(199,296)
(234,072)	(358,433)	(592,505)	1,178,921
-0-	-0-	-0-	198,961
200,000	-0-	200,000	(200,000)
(4,626)	-0-	(4,626)	3,653
195,374	-0-	195,374	2,614
(38,698)	(358,433)	(397,131)	1,181,535
(37,533)	-0-	(37,533)	50,407
(1,165)	(358,433)	(359,598)	<u>\$ 1,131,128</u>
203,653	951,355	1,155,008	
<u>\$ 202,488</u>	<u>\$ 592,922</u>	<u>\$ 795,410</u>	

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, 2022 and 2021

	2022			
	Program Services	General and Administrative	Fundraising	Total
Salaries and fringe benefits	\$ 1,069,785	\$ 291,473	\$ 27,440	\$ 1,388,698
Consultants	254,613	50,082	3,425	308,120
Grants	256,250	-0-	-0-	256,250
Professional fees	-0-	160,215	-0-	160,215
Other costs and supplies	23,330	-0-	-0-	23,330
Insurance	-0-	21,428	-0-	21,428
Temporary help	19,347	1,168	-0-	20,515
Software	5,125	13,556	-0-	18,681
Storage	-0-	12,231	-0-	12,231
Meetings and conferences	11,216	495	-0-	11,711
Telecommunications	-0-	9,906	-0-	9,906
Travel	8,148	1,038	-0-	9,186
Payroll processing	-0-	8,437	-0-	8,437
Depreciation	-0-	6,980	-0-	6,980
Rent	-0-	6,921	-0-	6,921
Dues and subscriptions	125	5,269	995	6,389
Equipment rental and maintenance	-0-	5,019	-0-	5,019
Interest expense	-0-	3,132	-0-	3,132
Bank service fees	-0-	2,127	-0-	2,127
Miscellaneous	-0-	1,295	-0-	1,295
Office supplies	-0-	875	143	1,018
Postage and delivery	110	775	-0-	885
Training and professional development	-0-	719	-0-	719
Printing and reproduction	9	492	-0-	501
Trustee expenses	-0-	96	-0-	96
Indirect cost allocation	580,364	(595,407)	15,043	-0-
Total Expenses	\$ 2,228,422	\$ 8,322	\$ 47,046	\$ 2,283,790

2021

Program Services	General and Administrative	Fundraising	Total	Increase (Decrease)
\$ 1,061,154	\$ 458,336	\$ 32,589	\$ 1,552,079	\$ (163,381)
264,966	84,261	2,634	351,861	(43,741)
274,166	-0-	-0-	274,166	(17,916)
660	133,966	-0-	134,626	25,589
7,448	-0-	-0-	7,448	15,882
-0-	21,986	-0-	21,986	(558)
5,991	10,134	-0-	16,125	4,390
6,534	18,006	-0-	24,540	(5,859)
-0-	10,183	-0-	10,183	2,048
-0-	350	-0-	350	11,361
-0-	12,241	-0-	12,241	(2,335)
10	443	-0-	453	8,733
-0-	7,180	-0-	7,180	1,257
-0-	8,723	-0-	8,723	(1,743)
-0-	32,887	-0-	32,887	(25,966)
275	7,392	640	8,307	(1,918)
-0-	5,313	-0-	5,313	(294)
-0-	2,006	-0-	2,006	1,126
-0-	2,033	-0-	2,033	94
-0-	6,936	-0-	6,936	(5,641)
-0-	474	143	617	401
402	211	-0-	613	272
1,800	613	-0-	2,413	(1,694)
-0-	-0-	-0-	-0-	501
-0-	-0-	-0-	-0-	96
538,029	(560,259)	22,230	-0-	-0-
\$ 2,161,435	\$ 263,415	\$ 58,236	\$ 2,483,086	\$ (199,296)

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 771,530	\$ (359,598)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,980	8,723
Deferred income taxes	12,381	(37,697)
Loss on disposal of property	973	4,626
PPP loan forgiveness	-0-	(200,000)
Changes in operating assets and liabilities:		
Grants and other receivables	(148,390)	65,868
Pledges receivable	(425,500)	432,500
Employee retention credit receivable	(86,163)	-0-
Prepaid expenses and other assets	(3,926)	17,468
Accounts payable and accrued expenses	33,071	(99,748)
Deferred revenue	22,381	47,243
Net Cash Provided by (Used in) Operating Activities	<u>183,337</u>	<u>(120,615)</u>
Cash Flows from Investing Activities		
Purchase of property	(8,386)	-0-
Cash Flows from Financing Activities		
Proceeds from Economic Injury Disaster Loan	<u>-0-</u>	<u>113,900</u>
Net Increase (Decrease) in Cash and Cash Equivalents	174,951	(6,715)
Cash and Cash Equivalents at Beginning of Year	<u>467,040</u>	<u>473,755</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 641,991</u></u>	<u><u>\$ 467,040</u></u>
Supplemental Information:		
Interest paid	<u><u>\$ -0-</u></u>	<u><u>\$ 238</u></u>

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2022 and 2021

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.

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.

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 for office equipment. 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.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2022 and 2021

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

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.

Revenue Recognition: The Organization generates revenue primarily from federal grants, contributions, program fees and net investment return. Conditional grants are earned and recognized as revenue without donor restrictions in proportion to the related expenditures incurred or when all conditions of the grant have been substantially met. Grants earned but not yet received are recorded as grants receivable.

Contributions received are recorded as without donor restrictions or with donor restrictions, 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.

The Organization generates contract revenue primarily from program fees. Revenue from program fees is recognized when control of the promised good or service is transferred to a customer, in an amount that reflects the consideration to which the Organization expects to be entitled from customers, in exchange for those goods and services.

Performance obligations are determined based on the nature of the services provided. Each of the Organization's revenue streams are treated as separate performance obligations, which are satisfied over a specified time period. The Organization determines the transaction price based on contractually agreed-upon amounts or rates.

The Organization's disaggregates its revenue from contracts as follows:

	2022	2021
Performance obligations satisfied over time:		
Contract revenue	\$ 539,697	\$ 807,429

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2022 and 2021

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

Gifts-in-Kind (Donated Services): Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization.

During the years ended September 30, 2022 and 2021, donated services consisted of consulting services. Donated services are recorded based on comparable industry rates which management believes reflects the actual value of the services provided. The Organization received donated services of \$18,352 and \$52,986 for the years ended September 30, 2022 and 2021, respectively, which were used in its program services.

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, 2022 and 2021. 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 consolidated 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 consolidated 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 statements of activities and by natural classification in the consolidated statements of functional expenses. 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.

Recently Issued Accounting Pronouncements: In September 2020, The Financial Accounting Standards Board (FASB) issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which is effective for fiscal years beginning after June 15, 2021. This ASU requires that contributed nonfinancial assets be reported as a separate line item in the statement of operations and changes in net assets, as well as disclose the disaggregation of the contributed nonfinancial assets recognized by type, whether they are monetized or utilized during the reporting period, and if utilized, the programs or other activities in which these contributed nonfinancial assets were used. Management has adopted and implemented this standard.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2022 and 2021

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

The FASB issued Accounting Standard Update 2016-02, *Leases*, which will be effective for fiscal years beginning after December 15, 2021. 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 of leases on the consolidated financial statements.

Subsequent Events: In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 28, 2023, the date the consolidated financial statements were available to be issued. During the period from October 1, 2022 to February 28, 2023, 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:

	2022	2021
Cash and cash equivalents	\$ 641,991	\$ 467,040
Grants and other receivables	573,065	424,675
Pledges receivable	470,000	44,500
Employee retention credit receivable	86,163	-0-
Financial Assets Available for General Expenditure	<u>\$ 1,771,219</u>	<u>\$ 936,215</u>

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 maintaining adequate liquid assets to fund near-term operating needs.

Note 3: Contract Receivables

Contract receivables where performance is satisfied over all time were \$146,462 and \$210,252 at September 30, 2022 and 2021, respectively and are included in the consolidated statements of financial position under the heading grants and other receivables.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2022 and 2021

Note 4: Pledges Receivable

Pledges receivable consisted of the following at September 30, 2022 and 2021:

	2022	2021
Pledges receivable	\$ 470,000	\$ 44,500
Less: Present value discount (3%)	-0-	-0-
Unconditional pledges receivable, net	<u>\$ 470,000</u>	<u>\$ 44,500</u>
Gross amounts due in less than one year	<u>\$ 470,000</u>	<u>\$ 44,500</u>

Note 5: Long-Term Debt

On March 2, 2021, the Organization entered into a promissory note with the U.S. Small Business Administration for an Economic Injury Disaster Loan (EIDL) in the amount of \$113,900. The note bears interest at 2.75% and requires monthly principal and interest payments of \$487 beginning twelve months from the date of the agreement. In March 2022, the U.S. Small Business Administration extended the deferred period for COVID EIDL payment until the 30th month after the date of the note. While deferred the debt will continue to accrue interest. Interest expense accrued on this loan was \$4,900 and \$1,768 at September 30, 2022 and 2021, respectively.

The aggregate annual principal maturities of long-term debt for each of the years subsequent to September 30, 2022 are as follows:

Year Ending September 30:	
2023	\$ -0-
2024	2,513
2025	2,583
2026	2,655
2027	2,729
Thereafter	<u>103,420</u>
	<u>\$ 113,900</u>

Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of September 30, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose:		
Equipping communities	\$ 1,041,085	\$ 465,301
Advocacy and awareness	<u>148,740</u>	<u>127,621</u>
Total	<u>\$ 1,189,825</u>	<u>\$ 592,922</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2022 and 2021

Note 6: Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions for the years ended September 30, 2022 and 2021 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.

	2022	2021
Subject to expenditure for specified purpose:		
Equipping communities	\$ 474,217	\$ 477,782
Advocacy and awareness	128,880	19,651
Total	<u>\$ 603,097</u>	<u>\$ 497,433</u>

Note 7: 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, 2022 and 2021, the Organization made matching contributions of \$23,587 and \$40,213, respectively. There were no discretionary contributions made to the Plan during either fiscal year.

Effective September 1, 2021, the Organization amended the Plan to temporarily eliminate employer matching contributions through the end of the calendar year. The Plan was subsequently amended to reinstate employer matching contributions effective January 1, 2022.

Note 8: Income Tax Provision

The income tax expenses for the years ended September 30, 2022 and 2021 consist of the following components:

	2022	2021
Federal and state income taxes currently payable	\$ 493	\$ 164
Change in deferred income taxes	12,381	(37,697)
Total income tax expenses	<u>\$ 12,874</u>	<u>\$ (37,533)</u>

The income tax expenses reflect effective tax rates which result from the applicability of federal and state statutory rates.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2022 and 2021

Note 8: Income Tax Provision (Continued)

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 consolidated 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 are 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, 2022 and 2021 relate to differences in depreciation and operating loss carryforwards that are available to offset future taxable income.

As of September 30, 2022, Solutions has available, a net operating loss of approximately \$119,500. The utilization of this loss can be carried back five years or forward indefinitely for federal tax purposes and carried forward indefinitely for state tax purposes.

Note 9: 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, 2022 and 2021, direct and indirect federal grants and contracts represented 44% and 55%, respectively, of the Organization's total revenue and support. Management does not anticipate any significant reduction in future funding from federal agencies.

Note 10: Operating Leases

On November 1, 2020, the Organization signed a 6 month lease to sublet space for its main office in Columbia, MD for \$1,773 a month. Once this lease expired on March 31, 2021, the Organization signed another 6 month lease to sublet the same space for \$2,027 a month. On October 1, 2021, the Organization downgraded to a mailbox plus lease for \$129 a month due to the effects of the national pandemic for three months. On January 20, 2022, the Organization upgraded back to their office lease and signed a one year lease that ends January 31, 2023.

Rent expense for office space totaled to \$6,921 and \$32,887 for the years ended September 30, 2022 and 2021, respectively. The future minimum annual rental payments under the office space lease as of September 30, 2022 is \$7,839.

The Organization leased a copier under a non-cancelable operating lease expiring in September 2022. Subsequent to September 30, 2022, the Organization entered into a month-to-month lease which was then canceled in January 2023. Lease expense under this agreement for the years ended September 30, 2022 and 2021 was \$4,689 and \$4,772, respectively. The future minimum annual rental payments under the copier lease as of September 30, 2022 is \$1,520.

The Organization leased a postage meter with a 36 month non-cancelable operating lease which expired December 31, 2022. Lease expense under this agreement for the years ended September 30, 2022 and 2021 was \$341 and \$351, respectively. The future minimum annual rental payments under the postage lease as of September 30, 2022 is \$77.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2022 and 2021

Note 11: 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 12: Other Matters

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 Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, have had far reaching social, economic, and financial impacts on the country. The pandemic continues and at this time, the impact on the operations and the financial status of the Organization cannot be determined.

Employee Retention Credit: During the year ended September 30, 2022, the Organization filed for the Employee Retention Credit (ERC), a program created by the federal government, as a result of the coronavirus pandemic. The ERC is a refundable federal tax credit based on a portion of wages as specified by the program parameters. Management determined the Organization's ERC to be \$198,961 for the year ended September 30, 2022 and has recognized this amount as other income for the year ended September 30, 2022. The balance due of \$86,163 at September 30, 2022 has been recorded as an employee retention credit receivable in the consolidated statements of financial position. The ERC is subject to review by the IRS and results could differ from the amount reported in these financial statements.

Paycheck Protection Program: The Organization applied for and received funds in the amount of \$200,000 under the Paycheck Protection Program (PPP), which was created as a result of the coronavirus pandemic. The proceeds were considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, were incurred during an 8-week period, commencing on the date of the loan agreement (May 3, 2020). Any portion of this loan that did not qualify for forgiveness was subject to an interest rate of 1%. The original loan document required monthly principal installments plus interest over an 18-month period commencing on December 3, 2020 with a maturity date of May 3, 2022. Under the Paycheck Protection Flexibility Act of 2020, the forgiveness period for qualified expenses was extended to 24 weeks. The start of the repayment of principal period was extended until 10 months after the end of the 24-week period and the maturity date has been extended to 5 years from the date of the loan. As of September 30, 2020, this loan was reflected as a note payable. The Organization applied for and received full forgiveness of the PPP loan on May 14, 2021 and the proceeds have been included on the consolidated statements of activities as other income.

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

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022 AND 2021

NATIONAL CENTER FOR HEALTHY HOUSING, INC.
Consolidated Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (Allowable)
U.S. Department of Housing and Urban Development				
Direct:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	MDHHU0051-19/ MDHHU0063-21	\$ 71,181	\$ 275,730
Pass-through programs from:				
The University of Illinois				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	ILHHU0052-19	-0-	25,473
Total Lead-Based Paint Hazard Control in Privately-Owned Housing			71,181	301,203
Direct:				
Lead Technical Studies Grants	14.902	MDLTS0008-18/ MDLTS0009-18/ MDLTS0021-12	14,307	309,070
Pass-through programs from:				
The University of Illinois				
Lead Technical Studies Grants	14.902	ILLTS0014-19	-0-	45,484
Total Lead Technical Studies Grants			14,307	354,554
Pass-through programs from:				
Silent Spring Institute				
Healthy Homes Technical Studies Grant	14.906	MAHHU0060-20	-0-	1,390
Total Healthy Housing Technical Studies Grants			-0-	1,390
Total U.S. Department of Housing and Urban Development			85,488	657,147

NATIONAL CENTER FOR HEALTHY HOUSING, INC.
Consolidated Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (Allowable)
U.S. Environmental Protection Agency				
Direct:				
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	XA84022801	-0-	175,217
Pass-through programs from:				
Public Health Institute				
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	84021601	-0-	79,807
Total U.S. Environmental Protection Agency			-0-	255,024
U.S. Department of Health and Human Services				
Pass-through program from:				
National Association of County and City Health Officials Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	5NU38OT000306-04-00	-0-	37,846
National Environmental Health Association Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	6NU38OT000300-04-05	-0-	60,000
Total U.S. Department of Health and Human Services			-0-	97,846
Total Expenditures of Federal Awards			\$ 85,488	\$ 1,010,017

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Schedule of Expenditures of Federal Awards
September 30, 2022

Note 1: Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the National Center for Healthy Housing, Inc. and subsidiary (the Organization), under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, consolidated changes in net assets, or consolidated cash flows of the National Center for Healthy Housing, Inc. and subsidiary.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation: The accompanying consolidated schedule of expenditures of federal awards include the accounts of National Center for Healthy Housing, Inc. and Healthy Housing Solutions, Inc. All significant intra-entity transactions and balances have been eliminated in consolidation.

Basis of Accounting: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, where-in certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Organization has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Consolidated Financial Statements
Performed in Accordance with Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the National Center for Healthy Housing, Inc. and subsidiary (the Organization), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Consolidated Financial Statements
Performed in Accordance with Government Auditing Standards (Continued)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
February 28, 2023

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the National Center for Healthy Housing, Inc. and subsidiary (the Organization), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by the Uniform Guidance (Continued)**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance
Required by the Uniform Guidance (Continued)**

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
February 28, 2023

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

Summary of Auditor's Results

- 1) The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of the National Center for Healthy Housing, Inc. and subsidiary were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
- 2) No significant deficiencies or material weaknesses relating to the audit of the consolidated financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- 3) No instances of noncompliance material to the consolidated financial statements of the National Center for Healthy Housing, Inc. and subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) No significant deficiencies or material weaknesses relating to internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- 5) The auditor's report on compliance for the major federal award programs for the National Center for Healthy Housing, Inc. and subsidiary expresses an unmodified opinion on all major federal programs.
- 6) There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this Schedule.
- 7) The programs tested as a major program was:

<u>Assistance Listing Number</u>	<u>Federal Program Title</u>
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act

- 8) The threshold used for distinguishing between Type A and B programs was \$750,000.
- 9) The National Center for Healthy Housing, Inc. and subsidiary was not determined to be a low-risk auditee as defined by the Uniform Guidance.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2022

Findings - Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Program Audit

None.

Summary Schedule of Prior Audit Findings

None.

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, 2022 and 2021, and our report thereon dated February 28, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 through 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating 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, 2022 and 2021, as a whole.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
February 28, 2023

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidating Statements of Financial Position
September 30, 2022 and 2021

Assets	2022			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 563,030	\$ 78,961	\$ -0-	\$ 641,991
Grants and other receivables	516,418	68,241	(11,594)	573,065
Pledges receivable	470,000	-0-	-0-	470,000
Employee retention credit receivable	86,163	-0-	-0-	86,163
Prepaid expenses and other assets	26,318	1,870	-0-	28,188
Total Current Assets	1,661,929	149,072	(11,594)	1,799,407
Property				
Office equipment	40,512	14,856	-0-	55,368
Less: Accumulated depreciation	26,822	7,400	-0-	34,222
Net Property	13,690	7,456	-0-	21,146
Other Assets				
Deferred tax asset	-0-	53,519	-0-	53,519
Investment in subsidiary	185,687	-0-	(185,687)	-0-
Total Other Assets	185,687	53,519	(185,687)	53,519
Total Assets	\$ 1,861,306	\$ 210,047	\$ (197,281)	\$ 1,874,072
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 39,528	\$ 13,485	\$ (11,594)	\$ 41,419
Current maturity of long-term debt	-0-	-0-	-0-	-0-
Accrued expenses	71,314	10,875	-0-	82,189
Deferred revenue	69,624	-0-	-0-	69,624
Total Current Liabilities	180,466	24,360	(11,594)	193,232
Non-Current Liability				
Long-term debt, net of current maturity	113,900	-0-	-0-	113,900
Total Liabilities	294,366	24,360	(11,594)	307,132
Net Assets and Equity				
Without donor restrictions	377,115	-0-	-0-	377,115
With donor restrictions	1,189,825	-0-	-0-	1,189,825
Retained earnings	-0-	185,587	(185,587)	-0-
Common stock	-0-	100	(100)	-0-
Total Net Assets and Equity	1,566,940	185,687	(185,687)	1,566,940
Total Liabilities and Net Assets	\$ 1,861,306	\$ 210,047	\$ (197,281)	\$ 1,874,072

2021

National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
\$ 452,150	\$ 14,890	\$ -0-	\$ 467,040
333,212	100,443	(8,980)	424,675
44,500	-0-	-0-	44,500
-0-	-0-	-0-	-0-
23,684	578	-0-	24,262
853,546	115,911	(8,980)	960,477
40,405	19,859	-0-	60,264
22,196	17,355	-0-	39,551
18,209	2,504	-0-	20,713
-0-	65,900	-0-	65,900
168,433	-0-	(168,433)	-0-
168,433	65,900	(168,433)	65,900
\$ 1,040,188	\$ 184,315	\$ (177,413)	\$ 1,047,090
\$ 39,065	\$ 10,230	\$ (8,980)	\$ 40,315
1,542	-0-	-0-	1,542
44,570	5,652	-0-	50,222
47,243	-0-	-0-	47,243
132,420	15,882	(8,980)	139,322
112,358	-0-	-0-	112,358
244,778	15,882	(8,980)	251,680
202,488	-0-	-0-	202,488
592,922	-0-	-0-	592,922
-0-	168,333	(168,333)	-0-
-0-	100	(100)	-0-
795,410	168,433	(168,433)	795,410
\$ 1,040,188	\$ 184,315	\$ (177,413)	\$ 1,047,090

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidating Statements of Activities
Years Ended September 30, 2022 and 2021

	2022			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
Support and Revenue				
Grants and contracts	\$ 1,467,263	\$ 213,535	\$ (71,647)	\$ 1,609,151
Contributions	1,235,455	-0-	-0-	1,235,455
Gifts-in-kind	18,352	-0-	-0-	18,352
Interest income	2,310	706	-0-	3,016
Other revenue	4,232	-0-	-0-	4,232
Total Support and Revenue	2,727,612	214,241	(71,647)	2,870,206
Expenses				
Salaries and fringe benefits	1,290,009	98,688	-0-	1,388,697
Consultants	303,218	76,550	(71,647)	308,121
Rent	6,228	693	-0-	6,921
Professional fees	138,630	21,929	-0-	160,559
Interest expense	3,132	-0-	-0-	3,132
Others	401,554	14,806	-0-	416,360
Total Expenses	2,142,771	212,666	(71,647)	2,283,790
Change in Net Assets before Other Income (Expenses)	584,841	1,575	-0-	586,416
Other Income (Expenses)				
Government grant (Employee Retention Credit)	170,408	28,553	-0-	198,961
Government grant (PPP loan forgiveness)	-0-	-0-	-0-	-0-
Loss on disposals	(973)	-0-	-0-	(973)
Total Other Income (Expenses)	169,435	28,553	-0-	197,988
Change in Net Assets after Other Income (Expenses) before Earnings from Wholly Owned Subsidiary and Income Taxes	754,276	30,128	-0-	784,404
Income Taxes Expense (Credit)	-0-	12,874	-0-	12,874
Change in Net Assets before Earnings (Losses) from Subsidiary	754,276	17,254	-0-	771,530
Earnings (Losses) from Subsidiary	17,254	-0-	(17,254)	-0-
Change in Net Assets	771,530	17,254	(17,254)	771,530
Net Assets - Beginning of Year	795,410	168,433	(168,433)	795,410
Net Assets - End of Year	\$ 1,566,940	\$ 185,687	\$ (185,687)	\$ 1,566,940

2021			
National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
\$ 1,497,053	\$ 194,647	\$ (60,177)	\$ 1,631,523
203,624	-0-	-0-	203,624
52,986	-0-	-0-	52,986
23	1,856	-0-	1,879
569	-0-	-0-	569
1,754,255	196,503	(60,177)	1,890,581
1,391,059	161,020	-0-	1,552,079
331,198	80,839	(60,177)	351,860
29,579	3,308	-0-	32,887
109,950	24,676	-0-	134,626
2,006	-0-	-0-	2,006
394,431	15,197	-0-	409,628
2,258,223	285,040	(60,177)	2,483,086
(503,968)	(88,537)	-0-	(592,505)
-0-	-0-	-0-	-0-
200,000	-0-	-0-	200,000
(3,390)	(1,236)	-0-	(4,626)
196,610	(1,236)	-0-	195,374
(307,358)	(89,773)	-0-	(397,131)
-0-	(37,533)	-0-	(37,533)
(307,358)	(52,240)	-0-	(359,598)
(52,240)	-0-	52,240	-0-
(359,598)	(52,240)	52,240	(359,598)
1,155,008	220,673	(220,673)	1,155,008
\$ 795,410	\$ 168,433	\$ (168,433)	\$ 795,410

