

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

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

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Independents Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of the National Center for Healthy Housing, Inc. (a non-profit organization) and Subsidiary as of September 30, 2008 and 2007, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Center For Healthy Housing, Inc. and Subsidiary, as of September 30, 2008 and 2007, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Directors of the
National Center for Healthy Housing, Inc.
and Subsidiary
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In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2009 on our consideration of the National Center for Healthy Housing, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing this report in considering the results of our audits.

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

The accompanying supplemental statements of financial position by entity, supplemental statements of activities by entity, and supplemental schedules of grant and contract revenue - National Center For Healthy Housing, Inc., for the years ended September 30, 2008 and 2007 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The consolidated supplemental information and schedules for the years ended September 30, 2008 and 2007 has been subjected to the auditing procedures applied in the audits of the consolidated basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated basic financial statements taken as a whole.

CLARK AND ANDERSON, P.A.
Certified Public Accountants

Glen Burnie, Maryland

February 12, 2009

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and equivalents	\$ 349,124	\$ 305,403
Grants and other receivables	991,628	502,140
Prepaid expenses and other assets	<u>25,192</u>	<u>23,594</u>
Total Current Assets	<u>1,365,944</u>	<u>831,137</u>
Fixed Assets		
Office equipment	25,202	20,616
Less: Accumulated depreciation	<u>(14,130)</u>	<u>(10,006)</u>
Net Fixed Assets	<u>11,072</u>	<u>10,610</u>
Total Assets	<u>\$ 1,377,016</u>	<u>\$ 841,747</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 434,055	\$ 128,599
Accrued expenses	60,047	33,254
Taxes payable	38,623	15,538
Loan payable	25,284	6,991
Unearned revenue	11,543	-
Other payables	<u>6,600</u>	<u>5,702</u>
Total Current Liabilities	<u>576,152</u>	<u>190,084</u>
Net Assets and Equity		
Unrestricted	496,252	444,869
Temporarily restricted	<u>304,612</u>	<u>206,794</u>
Total Net Assets and Equity	<u>800,864</u>	<u>651,663</u>
Total Liabilities and Net Assets	<u>\$ 1,377,016</u>	<u>\$ 841,747</u>

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contracts	\$ 3,085,441	\$ 292,923	\$ 3,378,364
Contributions	52,940	-	52,940
Interest income	1,609	-	1,609
Other revenue	1,806	-	1,806
Net assets released from restriction	195,105	(195,105)	-
Total Revenue and Support	<u>3,336,901</u>	<u>97,818</u>	<u>3,434,719</u>
Expenses			
Program	3,124,695	-	3,124,695
Support services			
General and administrative	143,020	-	143,020
Total Expenses	<u>3,267,715</u>	<u>-</u>	<u>3,267,715</u>
Change in net assets before provision for income taxes	69,186	97,818	167,004
Provision(benefit) for income taxes	17,803	-	17,803
Change in net assets	51,383	97,818	149,201
Net assets, beginning of year	<u>444,869</u>	<u>206,794</u>	<u>651,663</u>
Net assets, end of year	<u>\$ 496,252</u>	<u>\$ 304,612</u>	<u>\$ 800,864</u>

-See independent auditors' report and accompanying notes-

2007

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 2,156,047	\$ 106,000	\$ 2,262,047
154,910	-	154,910
2,332	-	2,332
32,925	-	32,925
<u>290,574</u>	<u>(290,574)</u>	<u>-</u>
<u>2,636,788</u>	<u>(184,574)</u>	<u>2,452,214</u>
2,553,647	-	2,553,647
<u>56,109</u>	<u>-</u>	<u>56,109</u>
<u>2,609,756</u>	<u>-</u>	<u>2,609,756</u>
27,032	(184,574)	(157,542)
<u>(269)</u>	<u>-</u>	<u>(269)</u>
27,301	(184,574)	(157,273)
<u>417,568</u>	<u>391,368</u>	<u>808,936</u>
<u>\$ 444,869</u>	<u>\$ 206,794</u>	<u>\$ 651,663</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	2008		
	Program	General and Administrative	Total
Salaries and fringe benefits	\$ 1,017,695	\$ 490,813	\$ 1,508,508
Advertising	-	8,180	8,180
Bad debt expense	-	-	-
Bank service fees	-	1,075	1,075
Consultants	624,736	119,338	744,074
Depreciation	-	4,123	4,123
Dues and subscriptions	849	4,053	4,902
Equipment rental and maintenance	84,917	9,631	94,548
Insurance	-	29,255	29,255
Interest expense	-	861	861
Licenses and fees	-	300	300
Meetings and conferences	1,432	2,575	4,007
Miscellaneous	-	505	505
Office expense	-	1,507	1,507
Office supplies	140,819	18,438	159,257
Other costs and supplies	28,021	-	28,021
Postage and delivery	12,287	2,693	14,980
Printing and reproduction	11,343	1,277	12,620
Professional fees	-	127,953	127,953
Rent	-	84,611	84,611
Telecommunications	2,551	23,198	25,749
Temporary help	536	82	618
Training and professional development	-	2,873	2,873
Travel	384,335	9,010	393,345
Trustee expenses	-	15,843	15,843
Indirect cost allocation	815,174	(815,174)	-
Total Expenses	\$ 3,124,695	\$ 143,020	\$ 3,267,715

-See independent auditors' report and accompanying notes-

2007

Program	General and Administrative	Total
\$ 828,570	\$ 445,731	\$ 1,274,301
-	6,190	6,190
-	867	867
-	984	984
600,235	73,772	674,007
-	3,998	3,998
735	1,940	2,675
29	9,724	9,753
-	28,109	28,109
-	786	786
-	359	359
59,942	6,348	66,290
-	913	913
-	12,398	12,398
82,478	16,217	98,695
30,434	-	30,434
8,245	3,357	11,602
1,821	5,495	7,316
-	132,220	132,220
-	61,676	61,676
1,972	18,395	20,367
1,053	458	1,511
285	3,061	3,346
133,420	9,400	142,820
-	18,139	18,139
804,428	(804,428)	-
\$ 2,553,647	\$ 56,109	\$ 2,609,756

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 149,201	\$ (157,273)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Non-cash Adjustments		
Depreciation and amortization	4,123	3,998
Bad debt expense	-	867
(Increase)decrease in		
Grants and other receivables	(489,488)	223,141
Prepaid expenses and other assets	(1,598)	(7,394)
Increase in accounts payable and accrued expenses	<u>367,775</u>	<u>5,481</u>
Total Adjustments	<u>(119,188)</u>	<u>226,093</u>
Net Cash Provided By Operating Activities	<u>30,013</u>	<u>68,820</u>
Cash Flows from Investing Activities		
Net Cash Used In Investing Activities -		
Purchase of fixed assets	<u>(4,585)</u>	<u>(1,520)</u>
Cash Flows from Financing Activities		
Net Cash Provided By(Used In) Financing Activities -		
Net increase(reduction) in note payable, short-term	<u>18,293</u>	<u>(1,335)</u>
Net Increase In Cash	43,721	65,965
Cash and Equivalents, Beginning of Year	<u>305,403</u>	<u>239,438</u>
Cash and Equivalents, End of Year	<u>\$ 349,124</u>	<u>\$ 305,403</u>
Supplement Disclosure of Cash Flow Information		
Cash paid for income taxes	<u>\$ 17,803</u>	<u>\$ 866</u>
Cash paid for interest	<u>\$ 861</u>	<u>\$ 786</u>

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

Note 1 – Description of the Organizations

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

National Center for Healthy Housing, Inc.

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

Healthy Housing Solutions, Inc.

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

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

Note 2 – Summary of Significant Accounting Policies

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

- (d) Cash and Equivalents – The Organizations consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
- (e) Grants and Other Receivables – Grants and other receivables are recorded net of an allowance for uncollectible receivables, based on management’s evaluation of outstanding accounts receivable at year end. Grants and other receivables beyond one year are discounted to reflect the present value of the grant or other receivable. The Center has grants and cooperative agreements with U.S. Government agencies, various state agencies, and other private sources. Management anticipates that all grant and other receivables will be collected in full, and therefore, has not established an allowance for doubtful accounts.
- (f) Gifts and Bequests of Property – Gifts and bequests of property are recorded at the earlier of the date received or when the bequest is no longer subject to probate and its value can be reasonably estimated. Gifts and bequests are valued at their estimated fair market value on the date they are recorded.
- (g) Fixed Assets – Furniture and equipment are reported at cost if purchased and, if donated, at the approximate fair market value at the date of donation. Assets are depreciated over the estimated life using the straight line method. Depreciation expense for the years ended September 30, 2008 and 2007 amounted to \$4,123 and \$3,998, respectively.
- (h) Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- (i) Income Taxes – under Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Maryland, the Center is exempt from income taxes for activities related to its tax exempt purpose.

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

- (j) Donated Services and Materials – Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. During the years ended September 30, 2008 and 2007, the Center did not receive any donated materials or services subject to the recognition criteria.
- (k) Net Assets – net assets are reported by the Center in accordance with Financial Accounting Standards Board (FASB) 116 and 117. Accordingly, net assets have been reported using the following categories.

Unrestricted

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

Temporarily Restricted

Temporarily restricted net assets represent grants and contributions, which have been restricted by donors for specific programs or activities. Restrictions, which have been met by the passage of time or expenditure of net assets, are reported as revenues released from restrictions on the statement of activities. Restricted grants and contributions that are received and released in the same reporting period are recognized as unrestricted grants and contributions. For the years ended September 30, 2008 and 2007 the Center received \$292,923 and \$106,000 respectively, in restricted grants and contributions.

Temporarily restricted net assets as of September 30, 2008 and 2007 consisted of the following:

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

(k) Net Assets (Continued)

	<u>2008</u>	<u>2007</u>
One Touch Project	\$ -	\$ 78,147
Growing Up Healthy: Kids and Communities	-	72,247
Gulf Region Healthy Housing Training Center	-	56,400
Home Depot Foundation	144,605	-
Private Foundation	83,472	-
Blue Cross Blue Shield	29,440	-
AE Community Foundation	25,095	-
Special Event	<u>22,000</u>	<u>-</u>
Total	<u>\$304,612</u>	<u>\$206,794</u>

Note 3 – Short-Term Bank Borrowings

During 2004, Solutions entered into a line of credit in the amount of \$50,000. Amounts outstanding under the line of credit are payable upon demand and bear interest at the financial institution's prime rate plus one point five percent (1.5%), which was six point five percent (6.5%) as of September 30, 2008. The line of credit is secured by substantially all of Solutions' assets and is guaranteed by the Center. As of September 30, 2008 and 2007 the outstanding borrowings under the line of credit amounted to \$25,284 and \$6,991, respectively. Interest expense amounted to \$861 and \$786 for the years ended September 30, 2008 and 2007, respectively.

Note 4 – Pension Plan

The Center has a 401(k) plan that permits voluntary contributions by employees of the Center and its Subsidiary. The plan covers all eligible employees who meet its eligibility requirements. The Plan provides for employer matching contribution of one hundred percent (100%) of elective deferrals up to three percent (3%) of eligible compensation and fifty percent (50%) of elective deferrals from three percent (3%) to five percent (5%) of eligible compensation. In addition, the plan allows discretionary contributions on an annual basis in amounts determined by the Center's management. For the years ended September 30, 2008 and 2007, the Organizations made matching contributions of \$36,918 and \$31,838, respectively and discretionary contributions of \$17,539 and \$12,979, or two percent (2%) of eligible compensation to the Plan.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

Note 5 – Income Taxes

The provision for income taxes for the years ended September 30, 2008 and 2007 relates to the activities of Solutions and consists of federal and state income taxes payable or receivable.

For the years ended September 30, 2008 and 2007 the provision (benefit) for income taxes is as follows:

	<u>2008</u>	<u>2007</u>
Federal	\$11,764	\$(181)
State	<u>6,039</u>	<u>(88)</u>
Total Benefit	<u>\$17,803</u>	<u>\$(269)</u>

Note 6 – Concentration of Risk

The Center receives a substantial portion of its revenue from federal grants and contracts, primarily from the U.S. Department of Health and Human Services. If a significant reduction of this funding occurs, it may have a significant impact on the Center's programs. For the years ended September 30, 2008 and 2007, direct and indirect federal grants and contracts represented eighty-five percent (85%) and eighty-eight percent (88%) of the Center's total revenue and support, respectively. The Center's management does not anticipate any significant reduction in future funding from federal agencies.

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

Note 7 – Leases and Rent Expenses

Effective November 2006, the Center entered into a lease agreement for office space. The lease term commenced November 1, 2006 for a period of sixty (60) months, expiring on October 31, 2011. Monthly payments in 2007 under this agreement amounted to \$4,249 and provides for annual escalation charges.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

Note 7 – Leases and Rent Expenses (Continued)

Minimum future rental payments under the lease are as follows:

2009	\$ 89,935
2010	92,633
2011	95,412
2012	<u>7,970</u>
Total	<u>\$285,950</u>

Lease expense amounted to \$84,611 and \$61,676 for the years ended September 30, 2008 and 2007, respectively.

SUPPLEMENTAL SCHEDULES

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

SUPPLEMENTAL STATEMENTS OF FINANCIAL POSITION
BY ENTITY (WITH ELIMINATIONS)

SEPTEMBER 30, 2008 AND 2007

	2008			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
<u>ASSETS</u>				
Current Assets				
Cash and equipment	\$ 269,051	\$ 80,073	\$ -	\$ 349,124
Grants and other receivables	701,823	383,642	(93,837)	991,628
Due from subsidiary	754	-	(754)	-
Prepaid expenses and other assets	<u>25,192</u>	<u>-</u>	<u>-</u>	<u>25,192</u>
Total Current Assets	996,820	463,715	(94,591)	1,365,944
Fixed Assets				
Office equipment	17,699	7,503	-	25,202
Less: Accumulated depreciation	<u>(12,598)</u>	<u>(1,532)</u>	<u>-</u>	<u>(14,130)</u>
Net Fixed Assets	5,101	5,971	-	11,072
Investment in Subsidiary	<u>76,679</u>	<u>-</u>	<u>(76,679)</u>	<u>-</u>
Total Assets	<u>\$ 1,078,600</u>	<u>\$ 469,686</u>	<u>\$ (171,270)</u>	<u>\$ 1,377,016</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable	\$ 227,446	\$ 300,446	\$ (93,837)	\$ 434,055
Accrued expenses	30,471	29,576	-	60,047
Taxes payable	14,371	24,252	-	38,623
Loan payable	-	25,284	-	25,284
Unearned revenue	-	11,543	-	11,543
Due to parent	-	754	(754)	-
Other payables	<u>5,448</u>	<u>1,152</u>	<u>-</u>	<u>6,600</u>
Total Current Liabilities	277,736	393,007	(94,591)	576,152
Net Assets and Equity				
Unrestricted	496,252	-	-	496,252
Temporarily restricted	304,612	-	-	304,612
Retained earnings	-	76,579	(76,579)	-
Common stock	<u>-</u>	<u>100</u>	<u>(100)</u>	<u>-</u>
Total Net Assets and Equity	<u>800,864</u>	<u>76,679</u>	<u>(76,679)</u>	<u>800,864</u>
Total Liabilities and Net Assets	<u>\$ 1,078,600</u>	<u>\$ 469,686</u>	<u>\$ (171,270)</u>	<u>\$ 1,377,016</u>

-See independent auditors' report and accompanying notes-

2007

National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
\$ 252,484	\$ 52,919	\$ -	\$ 305,403
473,161	66,670	(37,691)	502,140
33,557	-	(33,557)	-
<u>22,149</u>	<u>1,445</u>	<u>-</u>	<u>23,594</u>
781,351	121,034	(71,248)	831,137
17,699	2,917	-	20,616
<u>(9,058)</u>	<u>(948)</u>	<u>-</u>	<u>(10,006)</u>
8,641	1,969	-	10,610
17,194	-	(17,194)	-
<u>\$ 807,186</u>	<u>\$ 123,003</u>	<u>\$ (88,442)</u>	<u>\$ 841,747</u>
\$ 113,129	\$ 53,161	\$ (37,691)	\$ 128,599
25,924	7,330	-	33,254
11,845	3,693	-	15,538
-	6,991	-	6,991
-	33,557	(33,557)	-
-	-	-	-
<u>4,625</u>	<u>1,077</u>	<u>-</u>	<u>5,702</u>
155,523	105,809	(71,248)	190,084
444,869	-	-	444,869
206,794	-	-	206,794
-	17,094	(17,094)	-
-	100	(100)	-
<u>651,663</u>	<u>17,194</u>	<u>(17,194)</u>	<u>651,663</u>
<u>\$ 807,186</u>	<u>\$ 123,003</u>	<u>\$ (88,442)</u>	<u>\$ 841,747</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

SUPPLEMENTAL STATEMENTS OF ACTIVITIES,
BY ENTITY (WITH ELIMINATIONS)

FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	2008			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
Revenue and Support				
Grants and contracts	\$ 2,429,963	\$ 1,165,805	\$ (217,404)	\$ 3,378,364
Contributions	68,440	-	(15,500)	52,940
Interest income	1,609	-	-	1,609
Other revenue	17,295	-	(15,489)	1,806
Total Revenue and Support	2,517,307	1,165,805	(248,393)	3,434,719
Expenses				
Salaries and fringe benefits	1,124,586	383,922	-	1,508,508
Consultants	809,117	167,861	(232,904)	744,074
Professional fees	95,104	48,338	(15,489)	127,953
Rent	69,404	15,207	-	84,611
Interest expense	-	861	-	861
Others	329,381	472,327	-	801,708
Total Expenses	2,427,592	1,088,516	(248,393)	3,267,715
Change in net assets before equity in earnings of subsidiary and income taxes	89,715	77,289	-	167,004
Provision for income taxes	-	17,802	-	17,802
Change in net assets before equity in earnings of subsidiary	89,715	59,487	-	149,202
Equity in earnings of subsidiary	59,487	-	(59,487)	-
Change in net assets	149,202	59,487	(59,487)	149,202
Net Assets, Beginning of Year	651,662	17,194	(17,194)	651,662
Net Assets, End of Year	\$ 800,864	\$ 76,681	\$ (76,681)	\$ 800,864

-See independent auditors' report and accompanying notes-

2007

National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
\$ 1,746,806	\$ 695,807	\$ (180,566)	\$ 2,262,047
154,910	-	-	154,910
3,030	7	(705)	2,332
<u>48,362</u>	<u>-</u>	<u>(15,437)</u>	<u>32,925</u>
1,953,108	695,814	(196,708)	2,452,214
963,760	310,541	-	1,274,301
654,170	200,403	(180,566)	674,007
101,239	46,418	(15,437)	132,220
52,524	9,152	-	61,676
-	1,491	(705)	786
<u>340,255</u>	<u>126,511</u>	<u>-</u>	<u>466,766</u>
<u>2,111,948</u>	<u>694,516</u>	<u>(196,708)</u>	<u>2,609,756</u>
(158,840)	1,298	-	(157,542)
-	(269)	-	(269)
(158,840)	1,567	-	(157,273)
<u>1,566</u>	<u>-</u>	<u>(1,566)</u>	<u>-</u>
(157,274)	1,567	(1,566)	(157,273)
<u>808,936</u>	<u>15,628</u>	<u>(15,628)</u>	<u>808,936</u>
<u>\$ 651,662</u>	<u>\$ 17,195</u>	<u>\$ (17,194)</u>	<u>\$ 651,663</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC.

SUPPLEMENTAL SCHEDULES OF GRANT AND CONTRACT REVENUE

FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
US Department of Health and Human Services		
Centers for Disease Control and Prevention		
Investigations and Technical Assistance	\$ 108,164	\$ 302,728
National Healthy Home Training Center	696,132	523,260
Lead Poisoning Prevention Training Center	295,055	192,331
Smoke Alarm Installation and Fire Training	99,576	-
	<u>1,198,927</u>	<u>1,018,319</u>
Total US Department of Health and Human Services		
US Department of Housing and Urban Development		
Healthy Homes and Lead Technical Studies	1,026,545	841,189
Department of Community Health	-	37,663
	<u>1,026,545</u>	<u>878,852</u>
Total US Department of Housing and Urban Development		
Environmental Protection Agency		
Surveys, Studies, Investigations, Demonstrations and		
Special Purpose Activities Relating to the Clear Air Act	68,404	69,608
Protection of Children and Older Adults from Environmental Health Risks	8,624	59,510
Pesticides in New England Public Housing /Healthy Communities	-	10,671
National Community Based Lead Outreach	133,560	-
	<u>210,588</u>	<u>139,789</u>
Total Environmental Protection Agency		
Federal Pass-Through Grants		
The Medical Foundation, Inc.	-	35,431
Battelle Memorial Institute	93,665	78,131
UT Battelle, LLC	5,920	18,574
Lead Action Coalition	880	2,458
Children's Hospital Medical Center	8,772	-
Boston Medical Center	54,645	-
University of Illinois at Chicago	104,341	-
Alliance for Healthy Homes	33,352	-
Enterprise Community Partners, Inc.	10,127	-
National Capitol Contractors, LLC	5,230	-
	<u>316,932</u>	<u>134,594</u>
Total Federal Pass-Through Grants		

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC.

SUPPLEMENTAL SCHEDULES OF GRANT AND CONTRACT REVENUE (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Contracts and Non-Federal Grants		
The Home Depot	160,000	-
Wachovia Bank	10,000	-
Private Foundation	85,000	-
Healthy Homes Training Center	27,975	52,899
Greater Rochester Health Foundation	26,236	8,132
New York Department of Health	192,696	764
New Hampshire Childhood Lead Poisoning & Prevention Healthy Homes Project	31,111	-
City of Providence	19,752	-
City of Phoenix	12,801	-
Michigan Department of Health	17,474	-
Miscellaneous	<u>42,327</u>	<u>28,698</u>
Total Contracts and Non-Federal Grants	<u>625,372</u>	<u>90,493</u>
Total Grants and Contracts	<u>\$ 3,378,364</u>	<u>\$ 2,262,047</u>

-See independent auditors' report and accompanying notes-

REPORTS REQUIRED BY CIRCULAR OMB A-133 SINGLE AUDIT

NATIONAL CENTER FOR HEALTHY HOUSING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>US Department of Health and Human Services</u>		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	\$ 108,164
National Healthy Home Training Center	93.283	696,132
Lead Poisoning Prevention Training Center	93.283	295,055
Smoke Alarm Installation and Fire Safety Education	93.283	99,576
National Institute of Health Pass-Through CHMC - Community Based Trial to Prevent Lead Poisoning & Injuries	93.283	<u>8,772</u>
Total US Department of Health and Human Services		<u>1,207,699</u>
<u>US Department of Housing and Urban Development</u>		
Healthy Homes and Lead Technical Studies American Housing Survey Data Collections	14.902	97,127
Pass-Through Boston Medical Center - Healthy Homes Technical Studies Program	14.902	54,645
Pass-Through University of Illinois at Chicago - Dust-fall Demonstration Project	14.902	104,341
Healthy Homes & Lead Technical Studies Grant	14.902	129,116
Healthy Homes Demonstration Grant	14.902	157,721
Analysis of National Health and Nutrition Examination Survey Lead Data	14.906	26,756
Conference Support	14.906	609,912
Multi-site Asthma Intervention Study	14.906	436
Guidance Manual for Program Grantees	14.906	5,477
Pass-Through National Capitol Contractors, LLC - Lead Technical Assistance - Lead Listing and Provider Registries	14.904	5,230

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>US Department of Housing and Urban Development (Continued)</u>		
Pass-Through Alliance for Healthy Homes - Lead Technical Study	14.904	33,352
Pass-Through Enterprise Community Partners, Inc. - Section 4 Demonstration Act Grant Funds	14.902	<u>10,127</u>
Total US Department of Housing and Urban Development Programs		<u>1,234,240</u>
<u>US Department of Energy</u>		
Pass-Through Program From UT Battelle, LLC - Weatherization Assistance for Low-Income Persons	81.042	<u>5,920</u>
<u>Environmental Protection Agency</u>		
Relating to the Clean Air Act - Minnesota Healthy Indoor Environments Project	66.034	57,427
Relating to the Clean Air Act - Healthy Homes Training for Georgia & Mississippi (Region 4)	66.034	10,977
Protection of Children and Older Adults (Elderly) from Environmental Health Risks	66.609	8,624
National Community Based Lead Outreach and Training	66.718	133,560
Pass-Through the Lead Action Coalition - Clean Air Act Training Program	66.034	880
Pass-Through Battelle Memorial Institute - Environmental Education and Training Program	66.950	<u>93,665</u>
Total Environmental Protection Agency		<u>305,133</u>
Total Expenditures of Federal Awards		<u>\$ 2,752,992</u>

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

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

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

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

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

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

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

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

Note A – Basis of Presentation:

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of National Center For Healthy Housing, Inc. and Subsidiary as of and for the years ended September 30, 2008 and 2007, and have issued our report thereon dated February 12, 2009. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

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

Compliance and Other Matters

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

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

Clark and Anderson, P.A.
Certified Public Accountants

Glen Burnie, Maryland

February 12, 2009