

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2020 AND 2019

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of National Center for Healthy Housing, Inc. and Subsidiary (the Center) (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Center for Healthy Housing, Inc. and Subsidiary as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
February 24, 2021

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 473,755	\$ 708,684
Grants and other receivables	490,543	348,579
Pledges receivable	477,000	245,107
Prepaid expenses and other assets	41,730	35,997
Total Current Assets	<u>1,483,028</u>	<u>1,338,367</u>
Property		
Office equipment	111,800	149,643
Less: Accumulated depreciation	77,738	127,673
Net Property	<u>34,062</u>	<u>21,970</u>
Other Asset - deferred tax asset	<u>28,203</u>	<u>-0-</u>
Total Assets	<u>\$ 1,545,293</u>	<u>\$ 1,360,337</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 116,035	\$ 72,352
Accrued expenses	74,250	102,033
Deferred revenue	-0-	21,151
Other current liabilities	-0-	646
Total Current Liabilities	<u>190,285</u>	<u>196,182</u>
Non-Current Liabilities		
Note Payable - Paycheck Protection Program	<u>200,000</u>	<u>-0-</u>
Total Liabilities	<u>390,285</u>	<u>196,182</u>
Commitments (Notes 5 and 8)		
Net Assets		
Without donor restrictions	203,653	380,647
With donor restrictions	951,355	783,508
Total Net Assets	<u>1,155,008</u>	<u>1,164,155</u>
Total Liabilities and Net Assets	<u>\$ 1,545,293</u>	<u>\$ 1,360,337</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, 2020 and 2019

2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and contracts	\$ 1,665,790	\$ -0-	\$ 1,665,790
Contributions	249,088	900,000	1,149,088
Interest income	736	-0-	736
Other revenue	551	-0-	551
	<u>1,916,165</u>	<u>900,000</u>	<u>2,816,165</u>
Net assets released from restriction	732,153	(732,153)	-0-
Total Support and Revenue	<u>2,648,318</u>	<u>167,847</u>	<u>2,816,165</u>
Expenses			
Program	2,557,610	-0-	2,557,610
General and administrative	362,569	-0-	362,569
Fundraising	51,954	-0-	51,954
Total Expenses	<u>2,972,133</u>	<u>-0-</u>	<u>2,972,133</u>
Change in Net Assets before Provision for (Recovery of) Income Taxes	(323,815)	167,847	(155,968)
Provision for (Recovery of) Income Taxes	<u>(146,821)</u>	<u>-0-</u>	<u>(146,821)</u>
Change in Net Assets	(176,994)	167,847	(9,147)
Net Assets - Beginning of Year	<u>380,647</u>	<u>783,508</u>	<u>1,164,155</u>
Net Assets - End of Year	<u>\$ 203,653</u>	<u>\$ 951,355</u>	<u>\$ 1,155,008</u>

2019

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 2,113,934	\$ -0-	\$ 2,113,934	\$ (448,144)
338,728	1,100,000	1,438,728	(289,640)
294	-0-	294	442
4,917	-0-	4,917	(4,366)
<u>2,457,873</u>	<u>1,100,000</u>	<u>3,557,873</u>	<u>(741,708)</u>
1,132,874	(1,132,874)	-0-	-0-
<u>3,590,747</u>	<u>(32,874)</u>	<u>3,557,873</u>	<u>(741,708)</u>
3,471,843	-0-	3,471,843	(914,233)
138,590	-0-	138,590	223,979
52,419	-0-	52,419	(465)
<u>3,662,852</u>	<u>-0-</u>	<u>3,662,852</u>	<u>(690,719)</u>
(72,105)	(32,874)	(104,979)	(50,989)
<u>38,478</u>	<u>-0-</u>	<u>38,478</u>	<u>(185,299)</u>
(110,583)	(32,874)	(143,457)	<u>\$ 134,310</u>
<u>491,230</u>	<u>816,382</u>	<u>1,307,612</u>	
<u>\$ 380,647</u>	<u>\$ 783,508</u>	<u>\$ 1,164,155</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, 2020 and 2019

	2020			
	Program Services	General and Administrative	Fundraising	Total
Salaries and fringe benefits	\$ 1,012,685	\$ 359,072	\$ 25,352	\$ 1,397,109
Consultants	741,143	62,977	9,884	814,004
Grants	294,584	-0-	-0-	294,584
Rent	-0-	130,855	-0-	130,855
Professional fees	-0-	123,782	-0-	123,782
Other costs and supplies	47,008	-0-	-0-	47,008
Travel	23,506	2,226	-0-	25,732
Insurance	-0-	22,595	-0-	22,595
Telecommunications	-0-	21,539	-0-	21,539
Meetings and conferences	16,356	2,424	-0-	18,780
Software	4,481	9,530	-0-	14,011
Trustee expenses	-0-	11,536	-0-	11,536
Depreciation	-0-	9,417	-0-	9,417
Equipment rental and maintenance	-0-	8,691	-0-	8,691
Storage	-0-	7,746	-0-	7,746
Dues and subscriptions	495	6,019	-0-	6,514
Payroll processing	-0-	5,952	-0-	5,952
Office supplies	12	4,259	-0-	4,271
Postage and delivery	2,374	631	-0-	3,005
Bank service fees	-0-	1,774	-0-	1,774
Miscellaneous	-0-	1,133	-0-	1,133
Temporary help	-0-	833	-0-	833
Training and professional development	-0-	705	-0-	705
Printing and reproduction	-0-	281	-0-	281
Interest expense	-0-	276	-0-	276
Bad debt expense	-0-	-0-	-0-	-0-
Indirect cost allocation	414,966	(431,684)	16,718	-0-
Total Expenses	\$ 2,557,610	\$ 362,569	\$ 51,954	\$ 2,972,133

2019

Program Services	General and Administrative	Fundraising	Total	Increase (Decrease)
\$ 1,340,127	\$ 290,676	\$ 32,596	\$ 1,663,399	\$ (266,290)
1,065,670	56,555	4,740	1,126,965	(312,961)
300,000	-0-	-0-	300,000	(5,416)
-0-	118,768	-0-	118,768	12,087
-0-	152,718	-0-	152,718	(28,936)
92,769	-0-	-0-	92,769	(45,761)
50,100	2,908	-0-	53,008	(27,276)
-0-	23,691	-0-	23,691	(1,096)
132	19,671	-0-	19,803	1,736
8,829	1,989	100	10,918	7,862
6,694	17,401	-0-	24,095	(10,084)
-0-	11,731	-0-	11,731	(195)
-0-	13,579	-0-	13,579	(4,162)
-0-	10,116	-0-	10,116	(1,425)
-0-	6,211	-0-	6,211	1,535
475	7,218	-0-	7,693	(1,179)
-0-	7,381	-0-	7,381	(1,429)
84	2,643	-0-	2,727	1,544
7,096	1,503	-0-	8,599	(5,594)
-0-	1,402	-0-	1,402	372
-0-	1,155	-0-	1,155	(22)
-0-	890	-0-	890	(57)
-0-	3,946	-0-	3,946	(3,241)
-0-	189	-0-	189	92
-0-	-0-	-0-	-0-	276
-0-	1,099	-0-	1,099	(1,099)
599,867	(614,850)	14,983	-0-	-0-
\$ 3,471,843	\$ 138,590	\$ 52,419	\$ 3,662,852	\$ (690,719)

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (9,147)	\$ (143,457)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	-0-	1,099
Depreciation	9,417	13,579
Deferred income taxes	(28,203)	38,478
Changes in operating assets and liabilities:		
Grants and other receivables	(141,964)	129,082
Pledges receivable	(231,893)	11,573
Prepaid expenses and other assets	(5,733)	(2,099)
Accounts payable and accrued expenses	15,900	(3,843)
Deferred revenue	(21,151)	13,171
Other current liabilities	(646)	(1,886)
Net Cash Provided by (Used in) Operating Activities	<u>(413,420)</u>	<u>55,697</u>
Cash Flows from Investing Activities		
Purchase of property	<u>(21,509)</u>	<u>(17,549)</u>
Cash Flows from Financing Activities		
Proceeds from note payable - Paycheck Protection Program	<u>200,000</u>	<u>-0-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(234,929)	38,148
Cash and Cash Equivalents at Beginning of Year	<u>708,684</u>	<u>670,536</u>
Cash and Cash Equivalents at End of Year	<u>\$ 473,755</u>	<u>\$ 708,684</u>
Supplemental Information:		
Interest paid	<u>\$ 276</u>	<u>\$ -0-</u>
Income taxes paid	<u>\$ -0-</u>	<u>\$ -0-</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, 2020 and 2019

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.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

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

Property and Depreciation: Property is stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 7 years. Expenditures for maintenance and routine repairs are charged to expense as incurred. Expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. Depreciation expense for the years ended September 30, 2020 and 2019 was \$9,417 and \$13,579, respectively.

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

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

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

Revenue Recognition: Grants and contracts are considered exchange transactions, wherein the Center has to perform services in order to earn the income. Each grant and contract have one performance obligation which is satisfied over time as the services are performed. Accordingly, deferred revenue is recorded on these types of grants and contracts when applicable.

Contributions received are recorded as without donor restrictions or with donor restriction, depending on the existence and/or nature of any donor restrictions. An unconditional pledge to give support is recognized as a receivable and contribution in the year the pledge is made. Conditional pledges to give, which depend on the occurrence of a specified future and uncertain event, are not recognized as revenue until the condition has been met.

Contributions which are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the same year in which the contributions are recognized. All other donor-imposed restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU which is collectively Accounting Standards Codification 606 (ASC 606) generally became effective for all private companies for years beginning after December 15, 2018. The Center evaluated the applicability of ASC 606 for the year beginning October 1, 2019 and adopted ASC 606. The adoption of ASC 606 did not result in a change to the accounting and as such no cumulative effect adjustment was recorded.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

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

Donated Materials and Services: Donated materials are reflected in the accompanying consolidated financial statements at their estimated fair value at date of receipt. Donated services are recorded only if the services provided require specialized skills provided by individuals possessing those skills, or if the services create or enhance a nonfinancial asset. Various individuals and businesses have donated goods and services to the Center. The fair value of these items has been included in total support and expenses in the consolidated financial statements. In-kind services provided relate to identifying and addressing residential needs. The value of these in-kind services was \$197,412 and \$230,395 for the years ended September 30, 2020 and 2019, respectively.

Income Taxes: The Center is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3). Income that is not related to exempt purposes, less applicable reductions, is subject to federal and state income taxes. The Center had no unrelated business income for the years ended September 30, 2020 and 2019. The Center's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns are filed.

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

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities and by natural classification in the consolidated statement 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 June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* which was effective for fiscal years beginning after December 15, 2018. The new guidance clarifies and improves accounting guidance for contributions received and contributions made. The amendments in the ASU provide specific criteria to 1) evaluate whether certain transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and 2) determine whether a contribution is conditional. The Center adopted the ASU 2018-08 effective October 1, 2019 and determined there was no cumulative effect on the opening balance of net assets as a result of adopting the standard.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

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 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 financial statement.

Subsequent Events: In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 24, 2021 the date the consolidated financial statements were available to be issued. During the period from October 1, 2020 to February 24, 2021, 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:

	2020	2019
Cash and cash equivalents	\$ 473,755	\$ 708,684
Grants and other receivables	490,543	348,579
Pledges receivable	477,000	245,107
Financial Assets Available for General Expenditure	\$ 1,441,298	\$ 1,302,370

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

Note 3: Pledges Receivable

Pledges receivable consisted of the following at September 30, 2020 and 2019:

	2020	2019
Pledges receivable	\$ 477,000	\$ 245,107
Less: Present value discount (3%)	-0-	-0-
Unconditional pledges receivable, net	<u>\$ 477,000</u>	<u>\$ 245,107</u>
Gross amounts due in less than one year	<u>\$ 477,000</u>	<u>\$ 245,107</u>

Note 4: Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of September 30, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
The JPB Foundation	\$ 875,208	\$ 320,942
Robert Wood Johnson Foundation	67,875	334,976
W.K. Kellogg Foundation	8,272	20,114
The New York Community Trust	-0-	69,711
The Archstone Foundation	-0-	37,765
Total	<u>\$ 951,355</u>	<u>\$ 783,508</u>

Net assets were released from donor restrictions for the years ended September 30, 2020 and 2019 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.

	2020	2019
Subject to expenditure for specified purpose:		
The JPB Foundation	\$ 345,734	\$ 353,178
Robert Wood Johnson Foundation	267,101	315,024
The New York Community Trust	69,711	30,289
The Archstone Foundation	37,765	31,331
W.K. Kellogg Foundation	11,842	83,539
The Kresge Foundation	-0-	249,996
The Harry and Jeanette Weinberg Foundation	-0-	69,517
Total	<u>\$ 732,153</u>	<u>\$ 1,132,874</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

Note 5: Retirement Plan

The Center has a 401(k) plan (the Plan) that permits voluntary contributions to this Plan by employees of the Center and Solutions. The Plan covers all employees who meet its eligibility requirements. The Plan provides for employer matching contributions of one hundred percent (100%) of elective deferrals up to three percent (3%) of eligible compensation and fifty percent (50%) of elective deferrals from three percent (3%) to five percent (5%) of eligible compensation. In addition, the Plan allows discretionary contributions on an annual basis in amounts determined by the Organization's management. For the years ended September 30, 2020 and 2019, the Center made matching contributions of \$38,543 and \$53,483 respectively, and discretionary contributions of \$-0- and \$10,000 respectively, or one percent (1%) of eligible compensation, to the Plan.

Note 6: Income Tax Provision

The recovery of income taxes for the years ended September 30, 2020 and 2019 consist of the following components:

	2020	2019
Federal and state income taxes currently payable (receivable)	\$ (118,618)	\$ -0-
Change in deferred income taxes	(28,203)	(38,635)
Less: Valuation allowance	-0-	77,113
Total provision for (recovery of) income taxes	\$ (146,821)	\$ 38,478

The recovery of income taxes reflects effective tax rates which result from the applicability of federal and state statutory rates.

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

The tax effects of the temporary differences between financial and income tax accounting that give rise to Solutions' deferred tax assets and deferred tax liabilities as of September 30, 2020 and 2019 relate to differences in depreciation and operating loss carryforwards that are available to offset future taxable income.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

Note 7: 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, 2020 and 2019, direct and indirect federal grants and contracts represented 32% and 39%, respectively, of the Organization's total revenue and support. Management does not anticipate any significant reduction in future funding from federal agencies.

Note 8: Operating Leases

On April 3, 2017, the Center amended its lease agreement for its main office in Columbia, MD through October 31, 2020. The lease provides for monthly payments of \$10,166 through October 31, 2019 with an increase of 3% per annum for the period November 1, 2019 through October 31, 2020. The lease also calls for the tenant to pay for its share of operating costs and real estate taxes. On November 1, 2020, the Center signed a 6 month lease to sublet different space at their present location for \$1,773 a month.

Rent expense for office space totaled to \$130,855 and \$118,768 for the years ended September 30, 2020 and 2019, respectively.

The Center leases a copier under a non-cancelable operating lease expiring in September 2022. Lease expense under this agreement for the years ended September 30, 2020 and 2019 was \$4,617 and \$4,560, respectively.

The Center leased a postage meter under a non-cancelable operating lease that expired April 30, 2016 and was renewed as a month-to-month lease thereafter. Lease expense under this agreement for the years ended September 30, 2020 and 2019 was \$316 and \$336, respectively.

The future minimum annual rental payments under the current leases as of September 30, 2020 are as follows:

Year ending September 30:		
2021	\$	25,672
2022		4,869
2023		<u>77</u>
Total	\$	<u><u>30,618</u></u>

Note 9: Compliance with Grantor or Donor Restrictions

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

Note 10: 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 going forward. The pandemic continues and at this time, the impact on the operation and the financial status of the Center cannot be determined.

Paycheck Protection Program: The Center 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 are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during a 8-week period, commencing on the date of the loan agreement (May 3, 2020). Any portion of this loan that does not qualify for forgiveness is 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 has been extended to 24 weeks. The start of the repayment of principal period has been 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. Even though this has been presented as a debt obligation as of September 30, 2020 on the statements of financial position, it is the Center's position the PPP loan will qualify for forgiveness.

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

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019, have issued our report thereon dated February 24, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on the following pages is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements for the years ended September 30, 2020 and 2019, as a whole.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
February 24, 2021

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidating Statements of Financial Position
September 30, 2020 and 2019

Assets	2020			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 443,847	\$ 29,908	\$ -0-	\$ 473,755
Grants and other receivables	379,005	169,081	(57,543)	490,543
Pledges receivable	477,000	-0-	-0-	477,000
Prepaid expenses and other assets	41,730	-0-	-0-	41,730
Total Current Assets	<u>1,341,582</u>	<u>198,989</u>	<u>(57,543)</u>	<u>1,483,028</u>
Property				
Office equipment	80,567	31,233	-0-	111,800
Less: Accumulated depreciation	52,623	25,115	-0-	77,738
Net Property	<u>27,944</u>	<u>6,118</u>	<u>-0-</u>	<u>34,062</u>
Other Assets				
Deferred tax asset	-0-	28,203	-0-	28,203
Investment in subsidiary	220,673	-0-	(220,673)	-0-
Total Other Assets	<u>220,673</u>	<u>28,203</u>	<u>(220,673)</u>	<u>28,203</u>
Total Assets	<u>\$ 1,590,199</u>	<u>\$ 233,310</u>	<u>\$ (278,216)</u>	<u>\$ 1,545,293</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 114,915	\$ 8,386	\$ (7,266)	\$ 116,035
Accrued expenses	69,999	4,251	-0-	74,250
Deferred revenue	-0-	-0-	-0-	-0-
Other current liabilities	-0-	-0-	-0-	-0-
Intercompany Payable	50,277	-0-	(50,277)	-0-
Total Current Liabilities	<u>235,191</u>	<u>12,637</u>	<u>(57,543)</u>	<u>190,285</u>
Non-Current Liabilities				
Note Payable - Paycheck Protection Program	200,000	-0-	-0-	200,000
Total Liabilities	<u>435,191</u>	<u>12,637</u>	<u>(57,543)</u>	<u>390,285</u>
Net Assets and Equity				
Without donor restrictions	203,653	-0-	-0-	203,653
With donor restrictions	951,355	-0-	-0-	951,355
Retained earnings	-0-	220,573	(220,573)	-0-
Common stock	-0-	100	(100)	-0-
Total Net Assets and Equity	<u>1,155,008</u>	<u>220,673</u>	<u>(220,673)</u>	<u>1,155,008</u>
Total Liabilities and Net Assets	<u>\$ 1,590,199</u>	<u>\$ 233,310</u>	<u>\$ (278,216)</u>	<u>\$ 1,545,293</u>

2019

National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
\$ 558,771	\$ 149,913	\$ -0-	\$ 708,684
341,362	16,506	(9,289)	348,579
245,107	-0-	-0-	245,107
33,908	2,089	-0-	35,997
<u>1,179,148</u>	<u>168,508</u>	<u>(9,289)</u>	<u>1,338,367</u>
108,440	41,203	-0-	149,643
95,196	32,477	-0-	127,673
<u>13,244</u>	<u>8,726</u>	<u>-0-</u>	<u>21,970</u>
-0-	-0-	-0-	-0-
153,617	-0-	(153,617)	-0-
<u>153,617</u>	<u>-0-</u>	<u>(153,617)</u>	<u>-0-</u>
<u>\$ 1,346,009</u>	<u>\$ 177,234</u>	<u>\$ (162,906)</u>	<u>\$ 1,360,337</u>
\$ 62,109	\$ 19,532	\$ (9,289)	\$ 72,352
97,948	4,085	-0-	102,033
21,151	-0-	-0-	21,151
646	-0-	-0-	646
-0-	-0-	-0-	-0-
<u>181,854</u>	<u>23,617</u>	<u>(9,289)</u>	<u>196,182</u>
-0-	-0-	-0-	-0-
<u>181,854</u>	<u>23,617</u>	<u>(9,289)</u>	<u>196,182</u>
380,647	-0-	-0-	380,647
783,508	-0-	-0-	783,508
-0-	153,517	(153,517)	-0-
-0-	100	(100)	-0-
<u>1,164,155</u>	<u>153,617</u>	<u>(153,617)</u>	<u>1,164,155</u>
<u>\$ 1,346,009</u>	<u>\$ 177,234</u>	<u>\$ (162,906)</u>	<u>\$ 1,360,337</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidating Statements of Activities
Years Ended September 30, 2020 and 2019

	2020			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
Support and Revenue				
Grants and contracts	\$ 1,627,926	\$ 57,363	\$ (19,499)	\$ 1,665,790
Contributions	1,149,088	-0-	-0-	1,149,088
Interest income	387	349	-0-	736
Other revenue	551	-0-	-0-	551
Total Support and Revenue	<u>2,777,952</u>	<u>57,712</u>	<u>(19,499)</u>	<u>2,816,165</u>
Expenses				
Salaries and fringe benefits	1,367,354	29,755	-0-	1,397,109
Consultants	778,740	54,763	(19,499)	814,004
Rent	116,468	14,387	-0-	130,855
Professional fees	102,710	21,072	-0-	123,782
Interest expense	276	-0-	-0-	276
Others	488,607	17,500	-0-	506,107
Total Expenses	<u>2,854,155</u>	<u>137,477</u>	<u>(19,499)</u>	<u>2,972,133</u>
Change in Net Assets before Earnings from Wholly Owned Subsidiary and Income Taxes	(76,203)	(79,765)	-0-	(155,968)
Provision for (Recovery of) Income Taxes	-0-	(146,821)	-0-	(146,821)
Change in Net Assets before Earnings (Losses) from Subsidiary	(76,203)	67,056	-0-	(9,147)
Earnings (Losses) from Subsidiary	67,056	-0-	(67,056)	-0-
Change in Net Assets	(9,147)	67,056	(67,056)	(9,147)
Net Assets - Beginning of Year	<u>1,164,155</u>	<u>153,617</u>	<u>(153,617)</u>	<u>1,164,155</u>
Net Assets - End of Year	<u>\$ 1,155,008</u>	<u>\$ 220,673</u>	<u>\$ (220,673)</u>	<u>\$ 1,155,008</u>

2019

National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
\$ 1,577,570	\$ 678,170	\$ (141,806)	\$ 2,113,934
1,438,728	-0-	-0-	1,438,728
249	45	-0-	294
52,611	3,906	(51,600)	4,917
<u>3,069,158</u>	<u>682,121</u>	<u>(193,406)</u>	<u>3,557,873</u>
1,368,397	295,002	-0-	1,663,399
959,170	361,201	(193,406)	1,126,965
71,261	47,507	-0-	118,768
98,769	53,949	-0-	152,718
-0-	-0-	-0-	-0-
533,448	67,554	-0-	601,002
<u>3,031,045</u>	<u>825,213</u>	<u>(193,406)</u>	<u>3,662,852</u>
38,113	(143,092)	-0-	(104,979)
-0-	38,478	-0-	38,478
38,113	(181,570)	-0-	(143,457)
(181,570)	-0-	181,570	-0-
(143,457)	(181,570)	181,570	(143,457)
<u>1,307,612</u>	<u>335,187</u>	<u>(335,187)</u>	<u>1,307,612</u>
<u>\$ 1,164,155</u>	<u>\$ 153,617</u>	<u>\$ (153,617)</u>	<u>\$ 1,164,155</u>

