

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2021 AND 2020

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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 Organization), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller 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 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.

Independent Auditor's Report (Continued)

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, 2021 and 2020, 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.

Other Matters

Other Information

Our audits were 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 7, 2022, 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, 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 the 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 the National Center for Healthy Housing, Inc. and Subsidiary's internal control over financial reporting and compliance.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
February 7, 2022

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 467,040	\$ 473,755
Grants and other receivables	424,675	490,543
Pledges receivable	44,500	477,000
Prepaid expenses and other assets	24,262	41,730
Total Current Assets	<u>960,477</u>	<u>1,483,028</u>
Property		
Office equipment	60,264	111,800
Less: Accumulated depreciation	<u>39,551</u>	<u>77,738</u>
Net Property	<u>20,713</u>	<u>34,062</u>
Other Asset - deferred tax asset	<u>65,900</u>	<u>28,203</u>
Total Assets	<u>\$ 1,047,090</u>	<u>\$ 1,545,293</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 40,315	\$ 116,035
Current maturity of note payable	1,542	-0-
Accrued expenses	50,222	74,250
Deferred revenue	47,243	-0-
Total Current Liabilities	<u>139,322</u>	<u>190,285</u>
Non-Current Liabilities		
Note payable, net of current maturity	112,358	-0-
Note payable - Paycheck Protection Program	-0-	200,000
Total Non-Current Liabilities	<u>112,358</u>	<u>200,000</u>
Total Liabilities	<u>251,680</u>	<u>390,285</u>
Commitments (Notes 5, 7 and 10)		
Net Assets		
Without donor restrictions	202,488	203,653
With donor restrictions	592,922	951,355
Total Net Assets	<u>795,410</u>	<u>1,155,008</u>
Total Liabilities and Net Assets	<u>\$ 1,047,090</u>	<u>\$ 1,545,293</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, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and contracts	\$ 1,631,523	\$ -0-	\$ 1,631,523
Contributions	117,610	139,000	256,610
Interest income	1,879	-0-	1,879
Other revenue	569	-0-	569
	<u>1,751,581</u>	<u>139,000</u>	<u>1,890,581</u>
Net assets released from restriction	<u>497,433</u>	<u>(497,433)</u>	<u>-0-</u>
Total Support and Revenue	<u>2,249,014</u>	<u>(358,433)</u>	<u>1,890,581</u>
Expenses			
Program	2,161,435	-0-	2,161,435
General and administrative	263,415	-0-	263,415
Fundraising	58,236	-0-	58,236
Total Expenses	<u>2,483,086</u>	<u>-0-</u>	<u>2,483,086</u>
Change in Net Assets before Other Income (Expenses)	<u>(234,072)</u>	<u>(358,433)</u>	<u>(592,505)</u>
Other Income (Expenses)			
Government grant (PPP Loan)	200,000	-0-	200,000
Loss on disposals	(4,626)	-0-	(4,626)
Total Other Income (Expenses)	<u>195,374</u>	<u>-0-</u>	<u>195,374</u>
Change in Net Assets after Other Income (Expenses) before Recovery of Income Taxes	<u>(38,698)</u>	<u>(358,433)</u>	<u>(397,131)</u>
Recovery of Income Taxes	<u>(37,533)</u>	<u>-0-</u>	<u>(37,533)</u>
Change in Net Assets	<u>(1,165)</u>	<u>(358,433)</u>	<u>(359,598)</u>
Net Assets - Beginning of Year	<u>203,653</u>	<u>951,355</u>	<u>1,155,008</u>
Net Assets - End of Year	<u>\$ 202,488</u>	<u>\$ 592,922</u>	<u>\$ 795,410</u>

2020

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 1,665,790	\$ -0-	\$ 1,665,790	\$ (34,267)
249,088	900,000	1,149,088	(892,478)
736	-0-	736	1,143
551	-0-	551	18
1,916,165	900,000	2,816,165	(925,584)
732,153	(732,153)	-0-	-0-
2,648,318	167,847	2,816,165	(925,584)
2,557,610	-0-	2,557,610	(396,175)
362,569	-0-	362,569	(99,154)
51,954	-0-	51,954	6,282
2,972,133	-0-	2,972,133	(489,047)
(323,815)	167,847	(155,968)	(436,537)
-0-	-0-	-0-	200,000
-0-	-0-	-0-	(4,626)
-0-	-0-	-0-	195,374
(323,815)	167,847	(155,968)	(241,163)
(146,821)	-0-	(146,821)	109,288
(176,994)	167,847	(9,147)	<u>\$ (350,451)</u>
380,647	783,508	1,164,155	
<u>\$ 203,653</u>	<u>\$ 951,355</u>	<u>\$ 1,155,008</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, 2021 and 2020

	2021			
	Program Services	General and Administrative	Fundraising	Total
Salaries and fringe benefits	\$ 1,061,154	\$ 458,336	\$ 32,589	\$ 1,552,079
Consultants	264,966	84,261	2,634	351,861
Grants	274,166	-0-	-0-	274,166
Professional fees	660	133,966	-0-	134,626
Rent	-0-	32,887	-0-	32,887
Software	6,534	18,006	-0-	24,540
Insurance	-0-	21,986	-0-	21,986
Temporary help	5,991	10,134	-0-	16,125
Telecommunications	-0-	12,241	-0-	12,241
Storage	-0-	10,183	-0-	10,183
Depreciation	-0-	8,723	-0-	8,723
Dues and subscriptions	275	7,392	640	8,307
Other costs and supplies	7,448	-0-	-0-	7,448
Payroll processing	-0-	7,180	-0-	7,180
Miscellaneous	-0-	6,936	-0-	6,936
Equipment rental and maintenance	-0-	5,313	-0-	5,313
Training and professional development	1,800	613	-0-	2,413
Bank service fees	-0-	2,033	-0-	2,033
Interest expense	-0-	2,006	-0-	2,006
Office supplies	-0-	474	143	617
Postage and delivery	402	211	-0-	613
Travel	10	443	-0-	453
Meetings and conferences	-0-	350	-0-	350
Trustee expenses	-0-	-0-	-0-	-0-
Printing and reproduction	-0-	-0-	-0-	-0-
Indirect cost allocation	538,029	(560,259)	22,230	-0-
Total Expenses	\$ 2,161,435	\$ 263,415	\$ 58,236	\$ 2,483,086

2020

Program Services	General and Administrative	Fundraising	Total	Increase (Decrease)
\$ 1,012,685	\$ 359,072	\$ 25,352	\$ 1,397,109	\$ 154,970
741,143	62,977	9,884	814,004	(462,143)
294,584	-0-	-0-	294,584	(20,418)
-0-	123,782	-0-	123,782	10,844
-0-	130,855	-0-	130,855	(97,968)
4,481	9,530	-0-	14,011	10,529
-0-	22,595	-0-	22,595	(609)
-0-	833	-0-	833	15,292
-0-	21,539	-0-	21,539	(9,298)
-0-	7,746	-0-	7,746	2,437
-0-	9,417	-0-	9,417	(694)
495	6,019	-0-	6,514	1,793
47,008	-0-	-0-	47,008	(39,560)
-0-	5,952	-0-	5,952	1,228
-0-	1,133	-0-	1,133	5,803
-0-	8,691	-0-	8,691	(3,378)
-0-	705	-0-	705	1,708
-0-	1,774	-0-	1,774	259
-0-	276	-0-	276	1,730
12	4,259	-0-	4,271	(3,654)
2,374	631	-0-	3,005	(2,392)
23,506	2,226	-0-	25,732	(25,279)
16,356	2,424	-0-	18,780	(18,430)
-0-	11,536	-0-	11,536	(11,536)
-0-	281	-0-	281	(281)
414,966	(431,684)	16,718	-0-	-0-
\$ 2,557,610	\$ 362,569	\$ 51,954	\$ 2,972,133	\$ (489,047)

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (359,598)	\$ (9,147)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	8,723	9,417
Deferred income taxes	(37,697)	(28,203)
Loss on disposal of property	4,626	-0-
Non-cash government grant (PPP Loan)	(200,000)	-0-
Changes in operating assets and liabilities:		
Grants and other receivables	65,868	(141,964)
Pledges receivable	432,500	(231,893)
Prepaid expenses and other assets	17,468	(5,733)
Accounts payable and accrued expenses	(99,748)	15,900
Deferred revenue	47,243	(21,151)
Other current liabilities	-0-	(646)
Net Cash Used in Operating Activities	<u>(120,615)</u>	<u>(413,420)</u>
Cash Flows from Investing Activities		
Purchase of property	<u>-0-</u>	<u>(21,509)</u>
Cash Flows from Financing Activities		
Proceeds from note payable - Economic Injury Disaster Loan	113,900	-0-
Proceeds from note payable - Paycheck Protection Program	-0-	200,000
Net Cash Provided by Financing Activities	<u>113,900</u>	<u>200,000</u>
Net Decrease in Cash and Cash Equivalents	(6,715)	(234,929)
Cash and Cash Equivalents at Beginning of Year	<u>473,755</u>	<u>708,684</u>
Cash and Cash Equivalents at End of Year	<u>\$ 467,040</u>	<u>\$ 473,755</u>
Supplemental Information:		
Interest paid	<u>\$ 238</u>	<u>\$ 276</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, 2021 and 2020

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, 2021 and 2020

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 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. Depreciation expense for the years ended September 30, 2021 and 2020 was \$8,723 and \$9,417, 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: 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.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

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

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

	2021	2020
Performance obligations satisfied over time:		
Contract revenue	\$ 807,429	\$ 856,226

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 Organization. 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 \$52,986 and \$197,412 for the years ended September 30, 2021 and 2020, 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, 2021 and 2020. 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.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

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

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (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 7, 2022 the date the consolidated financial statements were available to be issued. During the period from October 1, 2021 to February 7, 2022, 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:

	2021	2020
Cash and cash equivalents	\$ 467,040	\$ 473,755
Grants and other receivables	424,675	490,543
Pledges receivable	44,500	477,000
Financial Assets Available for General Expenditure	\$ 936,215	\$ 1,441,298

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

Note 3: Contract Receivables

Contract receivables where performance is satisfied over all time were \$210,252 and \$148,261 at September 30, 2021 and 2020, 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, 2021 and 2020

Note 4: Pledges Receivable

Pledges receivable consisted of the following at September 30, 2021 and 2020:

	2021	2020
Pledges receivable	\$ 44,500	\$ 477,000
Less: Present value discount (3%)	-0-	-0-
Unconditional pledges receivable, net	<u>\$ 44,500</u>	<u>\$ 477,000</u>
Gross amounts due in less than one year	<u>\$ 44,500</u>	<u>\$ 477,000</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. Interest expense accrued on this loan was \$1,768 for the year ending September 30, 2021.

The aggregate annual principal maturities of long-term debt for each of the years subsequent to September 30, 2021 are as follows:

Year Ending September 30:	
2022	\$ 1,542
2023	2,701
2024	2,776
2025	2,853
2026	2,933
Thereafter	<u>101,095</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, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purpose:		
Equipping communities	\$ 465,301	\$ 943,083
Advocacy and awareness	127,621	8,272
Total	<u>\$ 592,922</u>	<u>\$ 951,355</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

Note 6: Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions for the years ended September 30, 2021 and 2020 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.

	2021	2020
Subject to expenditure for specified purpose:		
Equipping communities	\$ 477,782	\$ 682,546
Advocacy and awareness	19,651	11,842
Practical research	-0-	37,765
	<u>497,433</u>	<u>732,153</u>
Total	<u>\$ 497,433</u>	<u>\$ 732,153</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, 2021 and 2020, the Organization made matching contributions of \$40,213 and \$38,543 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 recovery of income taxes for the years ended September 30, 2021 and 2020 consist of the following components:

	2021	2020
Federal and state income taxes currently payable (receivable)	\$ 164	\$ (118,618)
Change in deferred income taxes	<u>(37,697)</u>	<u>(28,203)</u>
Total recovery of income taxes	<u>\$ (37,533)</u>	<u>\$ (146,821)</u>

The recovery of income taxes reflects 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, 2021 and 2020

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, 2021 and 2020 relate to differences in depreciation and operating loss carryforwards that are available to offset future taxable income.

As of September 30, 2021, Solutions has available, a net operating loss of approximately \$148,000. 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, 2021 and 2020, direct and indirect federal grants and contracts represented 55% and 32%, 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 April 3, 2017, the Organization 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 Organization signed a 6 month lease to sublet different space at their present location 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. Subsequent to September 30, 2021, the Organization downgraded to a mailbox plus lease for \$129 a month due to the effects of the national pandemic for one year and will end September 30, 2022.

Rent expense for office space totaled to \$32,887 and \$130,855 for the years ended September 30, 2021 and 2020, respectively.

The Organization leases a copier under a non-cancelable operating lease expiring in September 2022. Lease expense under this agreement for the years ended September 30, 2021 and 2020 was \$4,772 and \$4,617, respectively.

The Organization 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, 2021 and 2020 was \$351 and \$316, respectively.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

Note 10: Operating Leases (Continued)

The future minimum annual rental payments under the current leases as of September 30, 2021 are as follows:

Year ending September 30:		
2022	\$	6,417
2023		77
Total	\$	<u>6,494</u>

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.

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 government grants.

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

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020, have issued our report thereon dated February 7, 2022, which expressed 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, 2021 and 2020, as a whole.

Gross, Mendelsohn & Associates, P. A.

Baltimore, Maryland
February 7, 2022

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidating Statements of Financial Position
September 30, 2021 and 2020

Assets	2021			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 452,150	\$ 14,890	\$ -0-	\$ 467,040
Grants and other receivables	333,212	100,443	(8,980)	424,675
Pledges receivable	44,500	-0-	-0-	44,500
Prepaid expenses and other assets	23,684	578	-0-	24,262
Total Current Assets	<u>853,546</u>	<u>115,911</u>	<u>(8,980)</u>	<u>960,477</u>
Property				
Office equipment	40,405	19,859	-0-	60,264
Less: Accumulated depreciation	22,196	17,355	-0-	39,551
Net Property	<u>18,209</u>	<u>2,504</u>	<u>-0-</u>	<u>20,713</u>
Other Assets				
Deferred tax asset	-0-	65,900	-0-	65,900
Investment in subsidiary	168,433	-0-	(168,433)	-0-
Total Other Assets	<u>168,433</u>	<u>65,900</u>	<u>(168,433)</u>	<u>65,900</u>
Total Assets	<u>\$ 1,040,188</u>	<u>\$ 184,315</u>	<u>\$ (177,413)</u>	<u>\$ 1,047,090</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 39,065	\$ 10,230	\$ (8,980)	\$ 40,315
Current maturity of note payable	1,542	-0-	-0-	1,542
Accrued expenses	44,570	5,652	-0-	50,222
Deferred revenue	47,243	-0-	-0-	47,243
Intercompany Payable	-0-	-0-	-0-	-0-
Total Current Liabilities	<u>132,420</u>	<u>15,882</u>	<u>(8,980)</u>	<u>139,322</u>
Non-Current Liabilities				
Note payable, net of current maturity	112,358	-0-	-0-	112,358
Note payable - Paycheck Protection Program	-0-	-0-	-0-	-0-
Total Non-Current Liabilities	<u>112,358</u>	<u>-0-</u>	<u>-0-</u>	<u>112,358</u>
Total Liabilities	<u>244,778</u>	<u>15,882</u>	<u>(8,980)</u>	<u>251,680</u>
Net Assets and Equity				
Without donor restrictions	202,488	-0-	-0-	202,488
With donor restrictions	592,922	-0-	-0-	592,922
Retained earnings	-0-	168,333	(168,333)	-0-
Common stock	-0-	100	(100)	-0-
Total Net Assets and Equity	<u>795,410</u>	<u>168,433</u>	<u>(168,433)</u>	<u>795,410</u>
Total Liabilities and Net Assets	<u>\$ 1,040,188</u>	<u>\$ 184,315</u>	<u>\$ (177,413)</u>	<u>\$ 1,047,090</u>

2020

National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
\$ 443,847	\$ 29,908	\$ -0-	\$ 473,755
379,005	169,081	(57,543)	490,543
477,000	-0-	-0-	477,000
41,730	-0-	-0-	41,730
<u>1,341,582</u>	<u>198,989</u>	<u>(57,543)</u>	<u>1,483,028</u>
80,567	31,233	-0-	111,800
52,623	25,115	-0-	77,738
<u>27,944</u>	<u>6,118</u>	<u>-0-</u>	<u>34,062</u>
-0-	28,203	-0-	28,203
220,673	-0-	(220,673)	-0-
<u>220,673</u>	<u>28,203</u>	<u>(220,673)</u>	<u>28,203</u>
<u>\$ 1,590,199</u>	<u>\$ 233,310</u>	<u>\$ (278,216)</u>	<u>\$ 1,545,293</u>
\$ 114,915	\$ 8,386	\$ (7,266)	\$ 116,035
-0-	-0-	-0-	-0-
69,999	4,251	-0-	74,250
-0-	-0-	-0-	-0-
50,277	-0-	(50,277)	-0-
<u>235,191</u>	<u>12,637</u>	<u>(57,543)</u>	<u>190,285</u>
-0-	-0-	-0-	-0-
200,000	-0-	-0-	200,000
<u>200,000</u>	<u>-0-</u>	<u>-0-</u>	<u>200,000</u>
<u>435,191</u>	<u>12,637</u>	<u>(57,543)</u>	<u>390,285</u>
203,653	-0-	-0-	203,653
951,355	-0-	-0-	951,355
-0-	220,573	(220,573)	-0-
-0-	100	(100)	-0-
<u>1,155,008</u>	<u>220,673</u>	<u>(220,673)</u>	<u>1,155,008</u>
<u>\$ 1,590,199</u>	<u>\$ 233,310</u>	<u>\$ (278,216)</u>	<u>\$ 1,545,293</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Consolidating Statements of Activities
Years Ended September 30, 2021 and 2020

	2021			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
Support and Revenue				
Grants and contracts	\$ 1,497,053	\$ 194,647	\$ (60,177)	\$ 1,631,523
Contributions	256,610	-0-	-0-	256,610
Interest income	23	1,856	-0-	1,879
Other revenue	569	-0-	-0-	569
Total Support and Revenue	<u>1,754,255</u>	<u>196,503</u>	<u>(60,177)</u>	<u>1,890,581</u>
Expenses				
Salaries and fringe benefits	1,391,059	161,020	-0-	1,552,079
Consultants	331,198	80,839	(60,177)	351,860
Rent	29,579	3,308	-0-	32,887
Professional fees	109,950	24,676	-0-	134,626
Interest expense	2,006	-0-	-0-	2,006
Others	394,431	15,197	-0-	409,628
Total Expenses	<u>2,258,223</u>	<u>285,040</u>	<u>(60,177)</u>	<u>2,483,086</u>
Change in Net Assets before Other Income (Expenses)	(503,968)	(88,537)	-0-	(592,505)
Other Income (Expenses)				
Government grant (PPP Loan)	200,000	-0-	-0-	200,000
Loss on disposals	(3,390)	(1,236)	-0-	(4,626)
Total Other Income (Expenses)	<u>196,610</u>	<u>(1,236)</u>	<u>-0-</u>	<u>195,374</u>
Change in Net Assets after Other Income (Expenses) before Earnings from Wholly Owned Subsidiary and Income Taxes	(307,358)	(89,773)	-0-	(397,131)
Recovery of Income Taxes	-0-	(37,533)	-0-	(37,533)
Change in Net Assets before Earnings (Losses) from Subsidiary	(307,358)	(52,240)	-0-	(359,598)
Earnings (Losses) from Subsidiary	(52,240)	-0-	52,240	-0-
Change in Net Assets	(359,598)	(52,240)	52,240	(359,598)
Net Assets - Beginning of Year	<u>1,155,008</u>	<u>220,673</u>	<u>(220,673)</u>	<u>1,155,008</u>
Net Assets - End of Year	<u>\$ 795,410</u>	<u>\$ 168,433</u>	<u>\$ (168,433)</u>	<u>\$ 795,410</u>

2020

National Center For Healthy Housing, Inc.	Healthy Housing Solutions Inc.	Eliminations	Total
\$ 1,627,926	\$ 57,363	\$ (19,499)	\$ 1,665,790
1,149,088	-0-	-0-	1,149,088
387	349	-0-	736
551	-0-	-0-	551
<u>2,777,952</u>	<u>57,712</u>	<u>(19,499)</u>	<u>2,816,165</u>
1,367,354	29,755	-0-	1,397,109
778,740	54,763	(19,499)	814,004
116,468	14,387	-0-	130,855
102,710	21,072	-0-	123,782
276	-0-	-0-	276
488,607	17,500	-0-	506,107
<u>2,854,155</u>	<u>137,477</u>	<u>(19,499)</u>	<u>2,972,133</u>
(76,203)	(79,765)	-0-	(155,968)
-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
(76,203)	(79,765)	-0-	(155,968)
-0-	(146,821)	-0-	(146,821)
(76,203)	67,056	-0-	(9,147)
67,056	-0-	(67,056)	-0-
(9,147)	67,056	(67,056)	(9,147)
<u>1,164,155</u>	<u>153,617</u>	<u>(153,617)</u>	<u>1,164,155</u>
<u>\$ 1,155,008</u>	<u>\$ 220,673</u>	<u>\$ (220,673)</u>	<u>\$ 1,155,008</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC.
Consolidated Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing	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	\$ 37,191	\$ 105,337
Pass-through programs from:				
Health Research Inc.				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	NYHHU003817	-0-	10,970
Total Lead-Based Paint Hazard Control in Privately-Owned Housing			37,191	116,307
Direct:				
Lead Technical Studies Grants	14.902	MDLTS0008-18/ MDLTS0009-18	49,888	471,660
Pass-through programs from:				
The University of Illinois				
Lead Technical Studies Grants	14.902	ILLTS0014-19	-0-	22,369
Total Lead Technical Studies Grants			49,888	494,029
Pass-through programs from:				
Silent Spring Institute				
Healthy Homes Technical Studies Grant	14.906	MAHHU0060-20	-0-	8,610
The University of Illinois				
Healthy Homes Technical Studies Grant	14.906	ILHHUOO52-19	-0-	8,309
Total Healthy Housing Technical Studies Grants			-0-	16,919
Total U.S. Department of Housing and Urban Development			87,079	627,255

NATIONAL CENTER FOR HEALTHY HOUSING, INC.
Consolidated Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing	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-	8,771
Pass-through programs from:				
Public Health Institute				
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	2932	-0-	8,926
Total U.S. Environmental Protection Agency			-0-	17,697
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	6NU38OT000306-02-01	20,000	63,107
National Environmental Health Association Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	5NU38OT000300-03-00	-0-	60,000
National Environmental Health Association COVID-19 Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	6NU38OT000300-02-06	-0-	40,872
National Environmental Health Association Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	5NU38OT000300-02-00	-0-	15,163
Total U.S. Department of Health and Human Services			20,000	179,142
Total Expenditures of Federal Awards			\$ 107,079	\$ 824,094

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Notes to Consolidated Schedule of Expenditures of Federal Awards
September 30, 2021

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, 2021. 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.

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, 2021, 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 7, 2022.

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)

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, Mendelson & Associates, P.A.

Baltimore, Maryland
February 7, 2022

**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.

Report on Compliance for 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 described 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, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

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 its major federal program for the year ended September 30, 2021.

**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

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, Mendelson & Associates, P.A.

Baltimore, Maryland
February 7, 2022

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

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 Lead Technical Studies Grants (Assistance Listing No. #14.902) was tested as a major program.
- 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.

Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Program Audit

None.

Summary Schedule of Prior Audit Findings

None.

