

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

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

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Independents Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of National Center for Healthy Housing, Inc. (a non-profit organization) and Subsidiary as of September 30, 2010 and 2009, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Center For Healthy Housing, Inc. and Subsidiary, as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2011 on our consideration of National Center for Healthy Housing, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 basic financial statements as a whole.

The accompanying supplemental statements of financial position by entity, supplemental statements of activities by entity, and supplemental schedules of grant and contract revenue - National Center For Healthy Housing, Inc., for the years ended September 30, 2010 and 2009 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The consolidated supplemental information and schedules for the years ended September 30, 2010 and 2009 has been subjected to the auditing procedures applied in the audits of the consolidated basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated basic financial statements taken as a whole.

Clark and Anderson, P.A.

CLARK AND ANDERSON, P.A.
Certified Public Accountants

Glen Burnie, Maryland

February 17, 2011

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and equivalents	\$ 325,183	\$ 209,855
Grants and other receivables	683,592	677,580
Deferred income taxes	3,130	3,130
Prepaid expenses and other assets	<u>33,170</u>	<u>33,088</u>
Total Current Assets	<u>1,045,075</u>	<u>923,653</u>
Fixed Assets		
Office equipment	32,877	26,423
Less: Accumulated depreciation	<u>(22,504)</u>	<u>(18,139)</u>
Net Fixed Assets	<u>10,373</u>	<u>8,284</u>
Investment in Subsidiary	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,055,448</u>	<u>\$ 931,937</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 152,905	\$ 121,927
Accrued expenses	61,200	48,828
Taxes payable	6,079	20,295
Loan payable	40,000	-
Other payables	<u>5,998</u>	<u>5,851</u>
Total Current Liabilities	<u>266,182</u>	<u>196,901</u>
Net Assets and Equity		
Unrestricted	648,158	501,020
Temporarily restricted	<u>141,108</u>	<u>234,016</u>
Total Net Assets and Equity	<u>789,266</u>	<u>735,036</u>
Total Liabilities and Net Assets	<u>\$ 1,055,448</u>	<u>\$ 931,937</u>

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010		
	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contracts	\$ 3,416,365	\$ -	\$ 3,416,365
Contributions	30,273	160,000	190,273
Interest income	235	-	235
Other revenue	2,831	-	2,831
Net assets released from restriction	<u>252,908</u>	<u>(252,908)</u>	<u>-</u>
Total Revenue and Support	<u>3,702,612</u>	<u>(92,908)</u>	<u>3,609,704</u>
Expenses			
Program	3,510,609	-	3,510,609
General and administrative	<u>50,170</u>	<u>-</u>	<u>50,170</u>
Total Expenses	<u>3,560,779</u>	<u>-</u>	<u>3,560,779</u>
Change in net assets before provision for income taxes	141,833	(92,908)	48,925
(Benefit)provision for income taxes	<u>(5,305)</u>	<u>-</u>	<u>(5,305)</u>
Change in net assets	147,138	(92,908)	54,230
Net assets, beginning of year	<u>501,020</u>	<u>234,016</u>	<u>735,036</u>
Net assets, end of year	<u>\$ 648,158</u>	<u>\$ 141,108</u>	<u>\$ 789,266</u>

-See independent auditors' report and accompanying notes-

2009

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 2,969,752	\$ -	\$ 2,969,752
52,626	318,000	370,626
1,080	-	1,080
2,170	-	2,170
<u>363,927</u>	<u>(363,927)</u>	<u>-</u>
<u>3,389,555</u>	<u>(45,927)</u>	<u>3,343,628</u>
3,300,114	-	3,300,114
<u>87,646</u>	<u>-</u>	<u>87,646</u>
<u>3,387,760</u>	<u>-</u>	<u>3,387,760</u>
1,795	(45,927)	(44,132)
<u>(2,973)</u>	<u>-</u>	<u>(2,973)</u>
4,768	(45,927)	(41,159)
<u>496,252</u>	<u>279,943</u>	<u>776,195</u>
<u>\$ 501,020</u>	<u>\$ 234,016</u>	<u>\$ 735,036</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010		
	Program	General and Administrative	Total
Salaries and fringe benefits	\$ 1,350,983	\$ 361,452	\$ 1,712,435
Bank service fees	-	1,067	1,067
Consultants	824,606	84,648	909,254
Depreciation	-	4,365	4,365
Dues and subscriptions	2,515	5,181	7,696
Equipment rental and maintenance	-	12,209	12,209
Insurance	-	28,593	28,593
Interest expense	-	716	716
Licenses and fees	-	308	308
Meetings and conferences	16,652	1,651	18,303
Miscellaneous	-	655	655
Office supplies	245,846	13,374	259,220
Other costs and supplies	93,400	-	93,400
Postage and delivery	11,329	2,989	14,318
Printing and reproduction	772	850	1,622
Professional fees	-	168,972	168,972
Recruiting	-	-	-
Rent	-	125,331	125,331
Storage	-	1,894	1,894
Telecommunications	3,256	21,488	24,744
Temporary help	8,909	915	9,824
Training and professional development	-	1,740	1,740
Travel	141,751	7,248	148,999
Trustee expenses	-	15,114	15,114
Indirect cost allocation	810,590	(810,590)	-
Total Expenses	<u>\$ 3,510,609</u>	<u>\$ 50,170</u>	<u>\$ 3,560,779</u>

-See independent auditors' report and accompanying notes-

2009

<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
\$ 1,091,444	\$ 310,088	\$ 1,401,532
-	1,274	1,274
1,012,315	168,722	1,181,037
-	4,010	4,010
1,532	4,018	5,550
12,392	7,433	19,825
-	28,293	28,293
-	439	439
-	334	334
19,602	4,258	23,860
-	400	400
140,677	20,947	161,624
93,821	-	93,821
6,778	2,443	9,221
-	4,888	4,888
2,520	135,588	138,108
-	4,931	4,931
-	101,150	101,150
-	1,949	1,949
4,012	18,843	22,855
505	-	505
350	5,502	5,852
147,534	11,214	158,748
-	17,554	17,554
766,632	(766,632)	-
<u>\$ 3,300,114</u>	<u>\$ 87,646</u>	<u>\$ 3,387,760</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 54,230	\$ (41,159)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Non-Cash Adjustments		
Depreciation and amortization	4,365	4,010
(Increase)decrease in operating assets		
Grants and other receivables	(6,012)	314,048
Prepaid expenses and other assets	(82)	(11,026)
Increase(decrease) in operating liabilities		
Accounts payable and accrued expenses	<u>29,281</u>	<u>(378,637)</u>
Net Cash Provided By(Used In) Operating Activities	<u>81,782</u>	<u>(112,764)</u>
Cash Flows from Investing Activities		
Net Cash Used In Investing Activities -		
Purchase of fixed assets	<u>(6,454)</u>	<u>(1,221)</u>
Cash Flows from Financing Activities		
Net Cash Provided By(Used In) Financing Activities -		
Net increase(reduction) in note payable, short-term	<u>40,000</u>	<u>(25,284)</u>
Net Increase(Decrease) In Cash	115,328	(139,269)
Cash and Equivalents, Beginning of Year	<u>209,855</u>	<u>349,124</u>
Cash and Equivalents, End of Year	<u>\$ 325,183</u>	<u>\$ 209,855</u>
Supplement Disclosure of Cash Flow Information		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 157</u>
Cash paid for interest	<u>\$ 716</u>	<u>\$ 431</u>

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 1 – Description of the Organizations

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

National Center for Healthy Housing, Inc.

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

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

Healthy Housing Solutions, Inc.

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

Note 2 – Summary of Significant Accounting Policies

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

- (d) Cash and Equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
- (e) Grants and Other Receivables – Grants and other receivables are recorded net of an allowance for uncollectible receivables, based on management's evaluation of outstanding accounts receivable at year end. Grants and other receivables beyond one year are discounted to reflect the present value of the grant or other receivable. The Center has grants and cooperative agreements with U.S. Government agencies, various state agencies, and other private sources. Management anticipates that all grant and other receivables will be collected in full, and therefore, has not established an allowance for doubtful accounts.
- (f) Gifts and Bequests of Property – Gifts and bequests of property are recorded at the earlier of the date received or when the bequest is no longer subject to probate and its value can be reasonably estimated. Gifts and bequests are valued at their estimated fair market value on the date they are recorded.
- (g) Fixed Assets – Furniture and equipment are reported at cost if purchased and, if donated, at the approximate fair market value at the date of donation. Assets are depreciated over the estimated life using the straight line method. It is the policy of the Organization to capitalize equipment costing over \$1,000 and having a useful life of over one year. Depreciation expense for the years ended September 30, 2010 and 2009 amounted to \$4,365 and \$4,010, respectively.
- (h) Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- (i) Income Taxes – under Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Maryland, the Center is exempt from income taxes for activities related to its tax exempt purpose.

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

- (j) Donated Services and Materials – Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. During the years ended September 30, 2010 and 2009, the Center did not receive any donated materials or services subject to the recognition criteria.

- (k) Net Assets – net assets are reported by the Center in accordance with Financial Accounting Standards Board (FASB) 116 and 117. Accordingly, net assets have been reported using the following categories.

Unrestricted

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

Temporarily Restricted

Temporarily restricted net assets represent grants and contributions, which have been restricted by donors for specific programs or activities. Restrictions, which have been met by the passage of time or expenditure of net assets, are reported as revenues released from restrictions on the statement of activities. Restricted grants and contributions that are received and released in the same reporting period are recognized as unrestricted grants and contributions. For the years ended September 30, 2010 and 2009 the Center received \$160,000 and \$318,000, respectively, in restricted grants and contributions.

Temporarily restricted net assets as of September 30, 2010 and 2009 consisted of the following:

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

(k) Net Assets (Continued)

	<u>2010</u>	<u>2009</u>
Home Depot Foundation	\$ 4,031	\$ 61,446
Neighborworks	10,000	-
Blue Cross Blue Shield	915	2,796
WWFF	17,806	-
Private Foundation	108,356	-
The Kresge Foundation	-	142,305
The California Endowment	<u>-</u>	<u>27,469</u>
Total	<u>\$141,108</u>	<u>\$234,016</u>

Note 3 – Short-Term Bank Borrowings

During 2004, Solutions obtained a line of credit in the amount of \$50,000. Amounts outstanding under the line of credit are payable upon demand and bear interest at the prime rate plus one point five percent (1.5%), which amounted to four point seventy-five percent (4.75%) as of September 30, 2010. The line of credit is secured by substantially all of Solutions' assets and is guaranteed by the Center. As of September 30, 2010 and 2009 the outstanding borrowings under the line of credit amounted to \$40,000 and zero, respectively. Interest expense amounted to \$716 and \$439 for the years ended September 30, 2010 and 2009, respectively.

Note 4 – Pension Plan

The Organization has a 401(k) plan that permits voluntary contributions by employees of the Center and its Subsidiary. The plan covers all eligible employees who meet its eligibility requirements. The Plan provides for employer matching contribution of one hundred percent (100%) of elective deferrals up to three percent (3%) of eligible compensation and fifty percent (50%) of elective deferrals from three percent (3%) to five percent (5%) of eligible compensation. In addition, the plan allows discretionary contributions on an annual basis in amounts determined by the Organization's management. For the years ended September 30, 2010 and 2009, the Organizations made matching contributions of \$39,979 and \$33,831, respectively and discretionary contributions of \$17,595 and \$15,434, or two percent (2%) of eligible compensation to the Plan.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 5 – Income Taxes

The provision for income taxes for the years ended September 30, 2010 and 2009 relates to the activities of Solutions and consists of federal and state income taxes payable or receivable.

For the years ended September 30, 2010 and 2009 the benefit for income taxes is as follows:

	<u>2010</u>	<u>2009</u>
Federal	\$(3,540)	\$(1,942)
State	<u>(1,765)</u>	<u>(1,031)</u>
Total Benefit	<u>\$(5,305)</u>	<u>\$(2,973)</u>

Note 6 – Concentration of 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 this funding occurs, it may have a significant impact on the Organization's programs. For the years ended September 30, 2010 and 2009, direct and indirect federal grants and contracts represented seventy-seven percent (77%) and eighty-one percent (81%) of the Organization's total revenue and support, respectively. Management does not anticipate any significant reduction in future funding from federal agencies.

The Organization maintains cash balances in a financial institution which is insured by the Federal Deposit Insurance Corporation for amounts up to \$250,000 for the years 2010 and 2009, respectively. The Organization is exposed to concentrations of credit risk at times when cash balances exceed the FDIC limit. The Organization has not experienced any losses and believes they are not exposed to significant risk.

Note 7 – Leases and Rent Expenses

Effective November 2006, the Center entered into a lease agreement for office space. The lease term commenced November 1, 2006 for a period of sixty (60) months, expiring on October 31, 2011. Monthly payments in 2010 and 2009 under this agreement amounted to \$7,738 and \$7,513, respectively and provides for annual escalation charges.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

Note 7 – Leases and Rent Expenses (Continued)

Minimum future rental payments under the lease are as follows:

2011	\$ 95,412
2012	<u>7,970</u>
Total	<u>\$103,382</u>

Effective June 30, 2009, the Center entered into a month-to-month lease for office space. The lease is terminable at the will of either party at any time upon thirty (30) days advanced written notice, the lease will automatically terminate on June 30, 2011. The current monthly payment is \$1,300.

Lease expense amounted to \$125,331 and \$101,150 for the years ended September 30, 2010 and 2009, respectively.

Note 8 – 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 9 – Merger

On January 15, 2010, the Boards of the Center and The Alliance for Healthy Homes (the Alliance), a 501(c)(3) Organization, voted to pursue a merger of the two Organizations. On February 22, 2011 the merger was finalized. Under the terms of the merger, the Alliance transferred all of its assets, liabilities, property and obligations to the Center.

Note 10 – Subsequent Events

In preparing these financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through February 17, 2011, the date the financial statements were available to be issued.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

SUPPLEMENTAL STATEMENTS OF FINANCIAL POSITION

BY ENTITY (WITH ELIMINATIONS)

SEPTEMBER 30, 2010 AND 2009

	2010			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
ASSETS				
Current Assets				
Cash and equipment	\$ 321,914	\$ 3,269	\$ -	\$ 325,183
Grants and other receivables	612,664	121,744	(50,816)	683,592
Dividends receivable	-	-	-	-
Due from subsidiary	1,156	-	(1,156)	-
Deferred income taxes	-	3,130	-	3,130
Prepaid expenses and other assets	33,170	-	-	33,170
Total Current Assets	968,904	128,143	(51,972)	1,045,075
Fixed Assets				
Office equipment	25,374	7,503	-	32,877
Less: Accumulated depreciation	(17,972)	(4,532)	-	(22,504)
Net Fixed Assets	7,402	2,971	-	10,373
Investment in Subsidiary	4,641	-	(4,641)	-
Total Assets	<u>\$ 980,947</u>	<u>\$ 131,114</u>	<u>\$ (56,613)</u>	<u>\$ 1,055,448</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 134,423	\$ 69,298	\$ (50,816)	\$ 152,905
Accrued expenses	28,546	32,654	-	61,200
Taxes payable	2,714	3,365	-	6,079
Dividends payable	-	-	-	-
Loan payable	-	40,000	-	40,000
Due to parent	-	1,156	(1,156)	-
Other payables	5,998	-	-	5,998
Total Current Liabilities	171,681	146,473	(51,972)	266,182
Net Assets and Equity				
Unrestricted	668,158	-	(20,000)	648,158
Temporarily restricted	141,108	-	-	141,108
Retained earnings	-	(15,459)	15,459	-
Common stock	-	100	(100)	-
Total Net Assets and Equity	<u>809,266</u>	<u>(15,359)</u>	<u>(4,641)</u>	<u>789,266</u>
Total Liabilities and Net Assets	<u>\$ 980,947</u>	<u>\$ 131,114</u>	<u>\$ (56,613)</u>	<u>\$ 1,055,448</u>

-See independent auditors' report and accompanying notes-

2009

National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
\$ 190,609	\$ 19,246	\$ -	\$ 209,855
608,202	140,360	(70,982)	677,580
10,000	-	(10,000)	-
-	-	-	-
-	3,130	-	3,130
<u>33,088</u>	<u>-</u>	<u>-</u>	<u>33,088</u>
841,899	162,736	(80,982)	923,653
18,920	7,503	-	26,423
<u>(15,108)</u>	<u>(3,031)</u>	<u>-</u>	<u>(18,139)</u>
3,812	4,472	-	8,284
<u>63,214</u>	<u>-</u>	<u>(63,214)</u>	<u>-</u>
<u>\$ 908,925</u>	<u>\$ 167,208</u>	<u>\$ (144,196)</u>	<u>\$ 931,937</u>
\$ 90,046	\$ 102,863	\$ (70,982)	\$ 121,927
40,893	7,935	-	48,828
17,099	3,196	-	20,295
-	10,000	(10,000)	-
-	-	-	-
-	-	-	-
<u>5,851</u>	<u>-</u>	<u>-</u>	<u>5,851</u>
153,889	123,994	(80,982)	196,901
521,020	-	(20,000)	501,020
234,016	-	-	234,016
-	43,114	(43,114)	-
-	<u>100</u>	<u>(100)</u>	<u>-</u>
<u>755,036</u>	<u>43,214</u>	<u>(63,214)</u>	<u>735,036</u>
<u>\$ 908,925</u>	<u>\$ 167,208</u>	<u>\$ (144,196)</u>	<u>\$ 931,937</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

SUPPLEMENTAL STATEMENTS OF ACTIVITIES,
BY ENTITY (WITH ELIMINATIONS)

FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010			
	National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
Revenue and Support				
Grants and contracts	\$ 3,076,306	\$ 522,694	\$ (182,635)	\$ 3,416,365
Contributions	190,273	-	-	190,273
Interest income	227	8	-	235
Dividend income	-	-	-	-
Other revenue	23,898	630	(21,697)	2,831
Total Revenue and Support	3,290,704	523,332	(204,332)	3,609,704
Expenses				
Salaries and fringe benefits	1,375,199	337,236	-	1,712,435
Consultants	987,078	102,944	(180,768)	909,254
Professional fees	146,743	43,620	(21,391)	168,972
Rent	100,503	24,828	-	125,331
Interest expense	-	716	-	716
Others	568,378	77,866	(2,173)	644,071
Total Expenses	3,177,901	587,210	(204,332)	3,560,779
Change in net assets before equity in earnings of subsidiary and income taxes	112,803	(63,878)	(0)	48,925
Provision for income taxes	-	(5,305)	-	(5,305)
Change in net assets before equity in earnings of subsidiary	112,803	(58,573)	(0)	54,230
Equity in earnings of subsidiary	(58,573)	-	58,573	-
Change in net assets	54,230	(58,573)	58,573	54,230
Net Assets, Beginning of Year	755,036	43,214	(63,214)	735,036
Net Assets, End of Year	\$ 809,266	\$ (15,359)	\$ (4,641)	\$ 789,266

-See independent auditors' report and accompanying notes-

2009

National Center For Healthy Housing, Inc.	Healthy Housing Solutions, Inc.	Eliminations	Combined Totals
\$ 2,521,295	\$ 594,469	\$ (146,012)	\$ 2,969,752
370,626	-	-	370,626
1,080	-	-	1,080
20,000	-	(20,000)	-
<u>39,600</u>	<u>304</u>	<u>(37,734)</u>	<u>2,170</u>
2,952,601	594,773	(203,746)	3,343,628
1,201,583	199,949	-	1,401,532
1,122,725	221,973	(163,661)	1,181,037
108,258	49,117	(19,267)	138,108
78,613	22,537	-	101,150
-	439	-	439
<u>449,116</u>	<u>117,196</u>	<u>(818)</u>	<u>565,494</u>
<u>2,960,295</u>	<u>611,211</u>	<u>(183,746)</u>	<u>3,387,760</u>
(7,694)	(16,438)	(20,000)	(44,132)
<u>-</u>	<u>(2,973)</u>	<u>-</u>	<u>(2,973)</u>
(7,694)	(13,465)	(20,000)	(41,159)
<u>(13,465)</u>	<u>(20,000)</u>	<u>33,465</u>	<u>-</u>
(21,159)	(33,465)	13,465	(41,159)
<u>776,195</u>	<u>76,679</u>	<u>(76,679)</u>	<u>776,195</u>
<u>\$ 755,036</u>	<u>\$ 43,214</u>	<u>\$ (63,214)</u>	<u>\$ 735,036</u>

NATIONAL CENTER FOR HEALTHY HOUSING, INC.

SUPPLEMENTAL SCHEDULES OF GRANT AND CONTRACT REVENUE

FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
US Department of Health and Human Services		
Centers for Disease Control and Prevention		
National Healthy Homes Training Center	\$ -	\$ 515,284
Lead Poisoning Prevention Training Center	109,947	118,371
Evidence Based Practice: Implementing Healthy Homes Interventions	<u>-</u>	<u>50,000</u>
Total US Department of Health and Human Services	<u>109,947</u>	<u>683,655</u>
US Department of Housing and Urban Development		
Healthy Homes and Lead Technical Studies	<u>1,303,827</u>	<u>1,193,410</u>
Total US Department of Housing and Urban Development	<u>1,303,827</u>	<u>1,193,410</u>
Environmental Protection Agency		
Surveys, Studies, Investigations, Demonstrations and		
Special Purpose Activities Relating to the Clear Air Act	14,000	90,964
National Community Based Lead Outreach	-	109,510
Integrated Pest Management	<u>30,368</u>	<u>2,322</u>
Total Environmental Protection Agency	<u>44,368</u>	<u>202,796</u>
Federal Pass-Through Grants and Contracts		
<i>Department of Health and Human Services Pass-throughs:</i>		
National Environmental Health Association	628,523	47,568
New York University	89,955	-
<i>Department of Housing and Urban Development Pass-throughs:</i>		
Boston Medical Center	75,362	87,716
University of Illinois at Chicago	144,931	150,396
National Capitol Contractors, LLC	24,153	22,160
King County Housing Authority	41,101	4,719
SONA Contracting, LLC	18,945	13,530
The Pennsylvania State University	11,828	-
Phoenix Childrens Hospital	15,001	-
Alliance for Healthy Homes	-	31,084
Enterprise Community Partners, Inc.	-	24,355
<i>Environmental Protection Agency Pass-throughs:</i>		
Health Resources In Action	-	2,904
Groundwork Denver	-	18,513
Battelle Memorial Institute	3,930	39,637
<i>Department of Energy Pass-throughs:</i>		
Alliance for Sustainable Energy	<u>105,353</u>	<u>-</u>
Total Federal Pass-Through Grants and Contracts	<u>1,159,082</u>	<u>442,582</u>

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC.

SUPPLEMENTAL SCHEDULES OF GRANT AND CONTRACT REVENUE

FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Non-Federal Grants and Contracts		
ARO Properties	-	13,907
District of Columbia	12,482	-
Greater Rochester Health Foundation	8,835	13,251
Healthy Homes Coalition of West Michigan Foundation	7,500	-
Healthy Homes Training Center	22,190	62,500
Howard County Housing	12,042	-
Indiana State Department of Health	9,453	-
Lead Safety for Renovation, Repair & Painting (Training Program)	389,200	2,527
Michigan Department of Health	-	16,500
New York Department of Health	263,733	255,783
Norfolk Redevelopment & Housing Authority	19,498	-
Rhode Island Health Department	-	16,500
State of New Hampshire Department of Health and Human Services	29,659	-
Miscellaneous	<u>24,549</u>	<u>66,341</u>
Total Non-Federal Grants and Contracts	<u>799,141</u>	<u>447,309</u>
Total Grants and Contracts	<u>\$ 3,416,365</u>	<u>\$ 2,969,752</u>

-See independent auditors' report and accompanying notes-

NATIONAL CENTER FOR HEALTHY HOUSING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>US Department of Health and Human Services</u>		
Centers for Disease Control and Prevention		
Lead Poisoning Prevention Training Center	93.283	\$ 109,947
<i>Pass-Through</i> National Environmental Health Association - National Healthy Home Training Center	93.283	598,366
<i>Pass-Through</i> National Environmental Health Association - Building Code Analysis	93.283	30,157
<i>Pass-Through</i> New York University - NIH Recovery Act Research Support	93.701	<u>89,955</u>
Total US Department of Health and Human Services		<u>828,425</u>
<u>US Department of Housing and Urban Development</u>		
Healthy Homes and Lead Technical Studies Grant	14.902	265,294
Healthy Homes Demonstration Grant	14.902	288,840
Healthy Homes and Lead Technical Studies Grant	14.902	103,248
Healthy Homes Technical Study	14.902	174,798
Conference Support	14.906	278,844
Healthy Homes Technical Studies	14.906	79,272
Lead Hazard Control Grant Program	14.906	113,531
<i>Pass-Through</i> Boston Medical Center - Healthy Homes Technical Studies Program	14.902	75,362
<i>Pass-Through</i> University of Illinois at Chicago - Might Demonstration Project	14.902	144,931
<i>Pass-Through</i> National Capitol Contracting, LLC - Healthy Homes Credential Listing	14.901	24,153
<i>Pass-Through</i> The Pennsylvania State University - Dept of Agriculture Nat'l Institute of Food and Agriculture - Integrated Programs	14.901	11,828
<i>Pass-Through</i> King County Housing Authority - Seattle Healthy Homes Demonstration Evaluation Grant	14.906	41,101
<i>Pass-Through</i> SONA Contracting, LLC - Healthy Homes Grant Evaluation Manual	14.906	18,945
<i>Pass-Through</i> Phoenix Children's Hospital	14.906	<u>15,001</u>
Total US Department of Housing and Urban Development Programs		<u>1,635,148</u>

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

NATIONAL CENTER FOR HEALTHY HOUSING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>Environmental Protection Agency</u>		
Relating to the Clean Air Act - Minnesota Healthy Indoor Environments Project	66.034	14,000
Integrated Pest Management	66.714	30,368
<i>Pass-Through</i> Battelle Memorial Institute - Environmental Education and Training Program	66.950	<u>3,930</u>
Total US Department of Energy		<u>48,298</u>
<u>Department of Energy</u>		
<i>Pass-Through</i> Alliance For Sustainable Energy - National Renewable Energy Lab: Weatherization and Intergovernmental Program	81.042	<u>105,353</u>
Total Environmental Protection Agency		<u>105,353</u>
Total Expenditures of Federal Awards		<u>\$ 2,617,224</u>

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

REPORTS REQUIRED BY CIRCULAR OMB A-133 SINGLE AUDIT

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Note A – Basis of Presentation:

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

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

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

We have audited the financial statements of National Center For Healthy Housing, Inc. (a non-profit organization) and Subsidiary as of and for the years ended September 30, 2010 and 2009, and have issued our report thereon dated February 17, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Clark and Anderson, P.A.

Clark and Anderson, P.A.
Certified Public Accountants

Glen Burnie, Maryland

February 17, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of National Center For Healthy Housing, Inc. (a non-profit organization) and Subsidiary with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of National Center for Healthy Housing, Inc. and Subsidiary's major federal programs for the years ended September 30, 2010 and 2009. National Center For Healthy Housing, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of National Center For Healthy Housing, Inc. and Subsidiary's management. Our responsibility is to express an opinion on National Center For Healthy Housing, Inc. and Subsidiary's compliance based on our audits.

We conducted our audits 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits 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 National Center For Healthy Housing, Inc. and Subsidiary'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. Our audits do not provide a legal determination of National Center For Healthy Housing, Inc. and Subsidiary's compliance with those requirements.

In our opinion, National Center For Healthy Housing, Inc. and Subsidiary complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of National Center For Healthy Housing, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered National Center For Healthy Housing, Inc. and Subsidiary's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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 National Center For Healthy Housing, Inc. and Subsidiary'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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Clark and Anderson, P.A.

Clark and Anderson, P.A.
Certified Public Accountants

Glen Burnie, Maryland

February 17, 2011

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of National Center For Healthy Housing, Inc. and Subsidiary.
2. No reportable conditions relating to the audit of the financial statements are reported in the 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 Audit Standards.
3. No instances of noncompliance material to the financial statements of National Center For Healthy Housing, Inc. and Subsidiary were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the auditors' report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for National Center For Healthy Housing, Inc. and Subsidiary expresses an unqualified opinion on all major federal award programs.
6. There were no audit findings relative to the major federal award programs for National Center For Healthy Housing, Inc. and Subsidiary.
7. The programs tested as major programs included:

Department of Housing and Urban Development
Healthy Homes and Lead Hazard Control CFDA #14.902

Department of Housing and Urban Development
Healthy Homes and Lead Technical Studies CFDA #14.906

Department of Health and Human Services
Centers for Disease Control and Prevention
Investigations and Technical Assistance CFDA #93.283

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF AUDITORS' RESULTS (Continued)

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. National Center For Healthy Housing, Inc. and Subsidiary does qualify as a low-risk auditee.

II. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings for federal awards.

III. FINDINGS AND QUESTIONED COSTS OF FEDERAL AWARDS

There were no findings or questioned costs for federal awards.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

There were no prior year findings for federal awards.

NATIONAL CENTER FOR HEALTHY HOUSING, INC. AND SUBSIDIARY
10320 Little Patuxent Parkway, Suite 500
Columbia, MD 21044

CORRECTIVE ACTION PLAN
February 17, 2011

U.S. Department of Housing and Urban Development

National Center For Healthy Housing, Inc. and Subsidiary respectfully submits the following corrective action plan for the year ended September 30, 2010.

Name and address of independent public accounting firm:

CLARK AND ANDERSON, P.A.
7678 Quarterfield Road, Suite 101
Glen Burnie, Maryland 21061

Audit Period: October 1, 2009 – September 30, 2010

There were no findings in the September 30, 2010 schedule of findings and questioned costs.