

**Green & Healthy Homes Initiative, Inc.  
and Subsidiary**

**Consolidated Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2018**

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

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## Independent Auditor's Report

To the Board of Directors  
Green & Healthy Homes Initiative, Inc. and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Green & Healthy Homes Initiative, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, 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.

### *Management's Responsibility for the Consolidated 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 audit. We conducted our audit 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 from material misstatement.

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Green & Healthy Homes Initiative, Inc. and Subsidiary as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter - Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, in 2018, Green & Healthy Homes Initiative, Inc. and Subsidiary adopted new accounting guidance related to the presentation of financial statements of not-for-profit entities. Our opinion is not modified with respect to that matter.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, on our consideration of the Green & Healthy Homes Initiative, 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 Green & Healthy Homes Initiative, 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 Green & Healthy Homes Initiative, Inc. and Subsidiary's internal control over financial reporting and compliance.



Baltimore, Maryland  
June 24, 2019

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

**Consolidated Statement of Financial Position  
December 31, 2018**

Assets

Current assets	
Cash and cash equivalents	\$ 2,861,956
Accounts receivable - contracts and grants	882,800
Prepaid expenses	<u>132,833</u>
Total current assets	3,877,589
Property and equipment	
Furnishings and equipment, net of accumulated depreciation of \$512,469	103,778
Leasehold improvements, net of accumulated depreciation of \$294,015	186,449
Other assets	
Security deposits	<u>11,775</u>
Total assets	<u>\$ 4,179,591</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 642,695
Note payable	-
Accrued retirement	42,912
Deferred contracts and grants	<u>2,958,486</u>
Total current liabilities	3,644,093
Net assets	
Without donor restrictions	<u>535,498</u>
Total liabilities and net assets	<u>\$ 4,179,591</u>

See Notes to Consolidated Financial Statements.

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

**Consolidated Statement of Activities  
Year Ended December 31, 2018**

	<u>Without donor restrictions</u>
Support and revenue	
Support	
Government contracts and grants	\$ 7,616,682
Individual and business donations	<u>33,571</u>
Total support	<u>7,650,253</u>
Revenue	
Program income	20,888
Interest income	327
Other miscellaneous revenue	<u>43,995</u>
Total revenue	<u>65,210</u>
Total support and revenue	<u>7,715,463</u>
Expenses	
Maryland direct service	2,850,310
Client services/technical assistance	868,116
Marketing communications and policy	2,619,868
Data management	100,581
Management and general	1,149,039
Business development	<u>44,250</u>
Total expenses	<u>7,632,164</u>
Increase in net assets	83,299
Net assets without donor restrictions, beginning of year	<u>452,199</u>
Net assets without donor restrictions, end of year	<u><u>\$ 535,498</u></u>

See Notes to Consolidated Financial Statements.

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2018**

	Maryland direct service	Client services/ technical assistance	Marketing communications and policy	Data management	Management and general	Business development	Total
Salaries and benefits	\$ 1,265,556	\$ 705,999	\$ 1,395,477	\$ 94,306	\$ 631,992	\$ 44,250	\$ 4,137,580
Mission marketing	133	-	19,305	-	252	-	19,690
Communications and information systems	21,878	30,745	53,566	6,275	52,914	-	165,378
Consulting	18,959	540	637,640	-	3,472	-	660,611
Contract professional services	40,181	5,710	13,804	-	172,555	-	232,250
Delivery	2,104	272	572	-	381	-	3,329
Depreciation	4,609	462	2,899	-	95,448	-	103,418
Due and registrations	125	38	1,668	-	6,200	-	8,031
Equipment rental and expenses	2,533	1,284	8,402	-	12,489	-	24,708
Insurance	2,001	4,169	63	-	46,097	-	52,330
Licenses and permits	704	-	-	-	971	-	1,675
Contributions	600	60	-	-	100	-	760
Printing	4,846	2,657	25,842	-	1,874	-	35,219
Program expenses	1,443,819	26,255	221,455	-	6,896	-	1,698,425
Rent and occupancy	-	23,329	74,169	-	48,352	-	145,850
Staff and organizational development	10,985	50	6,703	-	34,947	-	52,685
Supplies	4,558	487	1,154	-	11,760	-	17,959
Travel and mileage	26,719	66,059	157,149	-	22,271	-	272,198
Taxes	-	-	-	-	68	-	68
<b>Total functional expenses</b>	<b>\$ 2,850,310</b>	<b>\$ 868,116</b>	<b>\$ 2,619,868</b>	<b>\$ 100,581</b>	<b>\$ 1,149,039</b>	<b>\$ 44,250</b>	<b>\$ 7,632,164</b>

See Notes to Consolidated Financial Statements.

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

**Consolidated Statement of Cash Flows  
Year Ended December 31, 2018**

Cash flows from operating activities	
Change in net assets without donor restrictions	\$ 83,299
Adjustments to reconcile change in net assets without donor restrictions to cash provided by operating activities	
Depreciation	103,418
(Increase) decrease in assets	
Accounts receivable - contracts and grants	578,492
Prepaid expenses	(54,320)
Security deposits	800
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	217,374
Accrued retirement	1,970
Deferred contracts and grants	<u>(235,759)</u>
Net cash provided by operating activities	<u>695,274</u>
Cash flows from investing activities	
Net purchases of furnishings and equipment	<u>(3,706)</u>
Net cash used in investing activities	<u>(3,706)</u>
Net increase in cash and cash equivalents	691,568
Cash and cash equivalents, beginning of the year	<u>2,170,388</u>
Cash and cash equivalents, end of the year	<u><u>\$ 2,861,956</u></u>

See Notes to Consolidated Financial Statements.

## **Green & Healthy Homes Initiative, Inc. and Subsidiary**

### **Notes to Consolidated Financial Statements December 31, 2018**

#### **Note 1 - Organization and summary of significant accounting policies**

Green & Healthy Homes Initiative, Inc. (d/b/a Green & Healthy Homes Initiative, hereafter referred to as "GHHI") was formed in July 1992 for the purpose of creating resources, programs, and policies to aid in the prevention of childhood lead poisoning and the creation of green, healthy and safe housing. GHHI works in partnership with federal, state and local government agencies, communities and families to develop lead-safe housing initiatives with a comprehensive approach to lead poisoning prevention. GHHI is supported primarily through government grants, contracts and donor contributions.

Green & Healthy Housing Strategies, Inc. ("GHHS") is a stock-based corporation with 100 shares authorized, of which 10 shares are outstanding and owned by GHHI. GHHS was formed in July 2009 for the purpose of assisting GHHI in creating resources, programs and policies for green and healthy housing initiatives. GHHS works in partnership with communities and families to develop energy efficient green and healthy housing that not only reduces energy costs, but asthma, lead poisoning and injury hazards.

#### **Principles of consolidation**

The consolidated financial statements include the accounts of GHHI and its wholly-owned subsidiary, GHHS (collectively referred to as the "Corporation"). All significant intercompany accounts and transactions have been eliminated in the consolidation.

#### **Net assets**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of December 31, 2018, all net assets are net assets without donor restrictions.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Revenue recognition**

Contributions, including unconditional promises to give, are recorded as made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Grants and contracts revenues are recognized as the terms of the grants or contracts are met. Grants and contracts revenues received prior to fulfilling the commitments under the terms of the grant or contract are recorded as deferred revenue.

## Green & Healthy Homes Initiative, Inc. and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2018

#### Cash and cash equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### Accounts receivable and bad debt

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America ("GAAP") require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

#### Donated services

GHHI receives volunteer time from many individuals that has not been recorded in the consolidated financial statements.

#### Property and equipment

Property and equipment are carried at cost. It is the Corporation's policy to capitalize expenditures for property and equipment in excess of \$1,000. Depreciation is provided for in amounts sufficient to apportion the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method as follows:

Furnishings and equipment	3 - 7 years
Leasehold improvements	10 - 39 years

#### Rent expense

Rent expense is recognized in accordance with the payment schedule included in the lease agreements. All leases between GHHI and its landlords of the properties are operating leases. Under accounting principles generally accepted in the United States, rental expenses with leases having scheduled rental increases are recognized on a straight-line basis over the term of the lease; however, the effect of recognizing rent expense in accordance with the payment schedule included in the lease agreements is not materially different than using the straight-line method.

#### Income taxes

GHHI has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2018. Due to its tax-exempt status, GHHI is not subject to income taxes. GHHI is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure.

Open tax years subject to IRS audit are 2015, 2016 and 2017.

GHHS is identified as a taxable C-Corporation for federal income tax purposes. GHHS is subject to federal and state income taxes but the minimal operating activity during 2018 resulted in no tax liability or deferred tax asset for the year ended December 31, 2018.

#### Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs incurred by a program service or supporting service are charged directly to that service. Other management and general

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

**Notes to Consolidated Financial Statements  
December 31, 2018**

administrative expenses are allocated based on the percentage of time spent by each person on each service and a federally approved indirect cost rate.

**Change in accounting principle**

For the year ended December 31, 2018, the Corporation adopted FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis. The changes required by the update have been applied retrospectively.

**Note 2 - Liquidity and availability of resources**

The Corporation has \$3,744,756 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$2,861,956 and accounts receivable of \$882,800.

Financial assets of the Corporation are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. Project operations are designed to break-even and not result in either a gain or a loss.

**Note 3 - Leases**

The Corporation entered into an agreement on December 1, 2010 to lease a Providence, Rhode Island office facility. The lease agreement was on a month-to-month basis for the beginning of 2018 and on August 23, 2018, the Corporation entered into a lease agreement for 12 months with monthly rent expense of \$450. For the year ended December 31, 2018, rent expense under this lease was \$11,800.

The Corporation leases its Baltimore office facility under an operating lease that expires on September 30, 2023. For the year ended December 31, 2018, rent expense under this lease was \$45,135. Future minimum annual lease payments under this lease through the next five years are as follows:

<u>For the year ended</u>	<u>Amount</u>
2019	\$ 46,155
2020	47,175
2021	48,195
2022	49,215
2023	<u>37,485</u>
Total	<u>\$ 228,225</u>

The Corporation leases its Washington, DC office facility under an operating lease that expires on December 31, 2019. For the year ended December 31, 2018, rent expense under this lease was \$55,989. Future minimum annual lease payments under this lease through December 31, 2019 are \$53,238.

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

**Notes to Consolidated Financial Statements  
December 31, 2018**

The Corporation entered into an agreement on November 7, 2014 to lease a Jackson, Mississippi office facility. The lease agreement expired on September 30, 2018 and is currently on a month-to-month basis in the amount of \$779. For the year ended December 31, 2018, rent expense under this lease was \$9,348.

**Note 4 - Accounts receivable - contracts and grants**

Contracts and grants receivable at December 31, 2018 consist of the following:

MDE	\$	155,026
MD DHMH		120,000
CDBG		56,894
Salt Lake County		9,993
Baltimore City Lead		9,706
Baltimore City LHRD		31,734
Baltimore City DSS		15,823
Baltimore Metropolitan Council		11,229
Employee receivable		714
Rhode Island Housing		5,740
HABC		2,500
Baltimore City DSS		17,123
Austin, TX		4,864
Marin County		2,326
CNCS		138,583
United Way of Central Maryland		6,703
EPA		14,024
The Fund for New Jersey		26,058
City of Pittsburgh		670
NYSERDA		4,106
United Way		1,667
Amerigroup		38,452
Empower Health		5,000
City of Richmond		1,905
Beveridge & Diamond		30,891
Chattanooga Green Spaces		11,550
City of Jackson		19,136
Com. Found for Greater Capital		25,000
Le Bonheur Community Health		80,363
State of Mississippi DoH		9,525
Washington State DoH		5,000
AMCHP		5,437
Baltimore Corp		1,667
Care New England		2,500
Miscellaneous other receivables		10,891
		<hr/>
	\$	882,800
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## **Green & Healthy Homes Initiative, Inc. and Subsidiary**

### **Notes to Consolidated Financial Statements December 31, 2018**

#### **Note 5 - Retirement plan**

The Corporation sponsors a retirement plan under Internal Revenue Code Section 403(b) for all eligible employees. The plan is funded by voluntary employee contributions not to exceed certain limits established by the Internal Revenue Service. The plan also allows for discretionary employer contributions to be determined by the employer on an annual basis. The Corporation contributed \$42,912 as an employer discretionary contribution for 2018, which is included in accrued retirement as of December 31, 2018. During 2018, \$2,915 was forfeited and is included in prepaid expenses as of December 31, 2018.

#### **Note 6 - Concentration of credit risk**

The Corporation maintains its cash accounts with major financial institutions. The balances consist of checking and money market accounts. These accounts are insured by the Federal Deposit Insurance Corporation at each institution. At times, the Corporation's cash balance may exceed the amount insured by the Federal Deposit Insurance Corporation; however, the Corporation has not experienced any losses with respect to bank balances in excess of government provided insurance. Management believes no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2018.

#### **Note 7 - Subsequent events**

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through June 24, 2019 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

## **Supplementary Information**

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2018**

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Pass-through entity identifying number</u>	<u>Grant expenditures</u>	<u>Total federal expenditures</u>
Direct Federal Awards				
<u>The Corporation for National &amp; Community Service ("CNCS")</u>				
Social Innovation Fund Pay for Success	94.024		\$ 472,980	\$ 472,980
Pass-through Programs from State and Local Government Agencies				
<u>U.S. Environmental Protection Agency</u>				
Community Campaign to Inform Residents of Risks and Rights	66.034	96322401	171,587	171,587
<u>U.S. Department of Health and Human Services</u>				
Association of Maternal and Child Health Programs (AMCHP)	93.110	UJ9MC31105	30,891	
Healthy Homes for Kids Project-Asthma Home Visiting Program	93.070	NUE1EH001336-02-00	23,088	
Lead Poisoning Prevention and Healthy Homes	93.753	1NUE2EH001396-01-00	1,807	55,786
<u>U.S. Department of Housing and Urban Development</u>				
<u>Lead Hazard Reduction Demonstration Grant Program</u>				
Baltimore City	14.905	MDLHD0248-12	233,957	233,957
<u>Operation Lead Elimination Action Program</u>				
HUD Lead Abatement at Low Income Residences - Baltimore City	14.905	MDLHD0248-12	263,592	
HUD Lead Hazard Reduction and Healthy Homes Program - Lead Safe - Providence Rhode Island	14.905	RILHD0263-17	24,655	
HUD Lead-Based Paint Hazard Control Grant Program - Rhode Island Housing	14.900	RILHB0563-13	48,700	
HUD Lead-Based Paint Hazard Control Grant Program - City of Jackson	14.900	HUD424CBW	63,054	400,001
<u>Community Development and Community Service</u>				
<u>Block Grants</u>				
Baltimore City Community Development Block Grant	14.218	40-36936/41-36970	182,808	182,808
Total federal expenditures			\$ 1,517,119	\$ 1,517,119

See Notes to Schedule of Expenditures of Federal Awards.

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2018**

**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Green & Healthy Homes Initiative, Inc. ("GHHI") for the year ended December 31, 2018. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the Schedule presents only a selected portion of the operations of GHHI, it is not intended to and does not present the financial position, changes in net assets or cash flows of GHHI. The financial statements of GHHS were not audited in accordance with *Government Auditing Standards* as they are not subject to the requirements under the Uniform Guidance.

**Note 2 - Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Green & Healthy Homes Initiative, Inc. and Subsidiary have elected not to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

**Note 3 - Subrecipients**

Green & Healthy Homes Initiative, Inc. and Subsidiary did not pass any amounts through to subrecipients for the year ended December 31, 2018.

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*

To the Board of Directors  
Green & Healthy Homes Initiative, Inc. and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Green & Healthy Homes Initiative, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2018, 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 June 24, 2019, which included an emphasis of matter paragraph as indicated on page 3.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Green & Healthy Homes Initiative, Inc. and Subsidiary's internal control over financial reporting ("internal control") to determine the 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 Green & Healthy Homes Initiative, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Green & Healthy Homes Initiative, Inc. and Subsidiary'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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green & Healthy Homes Initiative, Inc. and Subsidiary's financial statements are free from 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*.

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Baltimore, Maryland  
June 24, 2019

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

To the Board of Directors  
Green & Healthy Homes Initiative, Inc. and Subsidiary

Report on Compliance for the Major Federal Program

We have audited Green & Healthy Homes Initiative, Inc. and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on of Green & Healthy Homes Initiative, Inc. and Subsidiary' s major federal program for the year ended December 31, 2018. Green & Healthy Homes Initiative, Inc. and Subsidiary's major federal program is 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 Green & Healthy Homes Initiative, Inc. and Subsidiary's major federal program 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 Green & Healthy Homes Initiative, 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Green & Healthy Homes Initiative, Inc. and Subsidiary's compliance.

*Opinion on the Major Federal Program*

In our opinion, Green & Healthy Homes Initiative, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2018.

## Report on Internal Control over Compliance

Management of Green & Healthy Homes Initiative, Inc. and Subsidiary 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 Green & Healthy Homes Initiative, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Green & Healthy Homes Initiative, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Baltimore, Maryland  
June 24, 2019

**Green & Healthy Homes Initiative, Inc. and Subsidiary**

**Schedule of Findings and Questioned Costs  
December 31, 2018**

**A. Summary of Independent Auditor's Results**

*Financial Statements*

Type of auditor's report issued on the financial statements: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that is not considered to be a material weakness.  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major program:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that is not considered to be a material weakness.  Yes  None reported

Type of auditor's report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance?  Yes  No

Identification of major program:

Program Name	CFDA Number	Amount
Social Innovation Fund Pay for Success	94.024	\$ <u>472,980</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None