Green & Healthy Homes Initiative, Inc. and Subsidiary

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

December 31, 2019

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Green & Healthy Homes Initiative, Inc. and Subsidiary

Index

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 Green & Healthy Homes Initiative, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, 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 Green & Healthy Homes Initiative, Inc. and Subsidiary as of December 31, 2019, 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.

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 Principals, 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 September 17, 2020, on our consideration of 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.

CohnReznick LLP

Baltimore, Maryland
September 17, 2020

Green & Healthy Homes Initiative, Inc. and Subsidiary

Consolidated Statement of Financial Position
December 31, 2019

Assets		
Current assets		
Cash and cash equivalents	$	555,640
Accounts receivable - contracts and grants		1,180,301
Prepaid expenses		149,254
Total current assets		1,885,195
Property and equipment		
Furnishings and equipment, net of accumulated depreciation of $579,302		47,525
Leasehold improvements, net of accumulated depreciation of $334,515		145,949
Other assets		
Security deposits		11,775
Total assets	$	2,090,444
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$	569,577
Accrued retirement		36,104
Deferred contracts and grants		870,842
Total current liabilities		1,476,523
Net assets		
Without donor restrictions		613,921
Total liabilities and net assets	$	2,090,444

See Notes to Consolidated Financial Statements.

Green & Healthy Homes Initiative, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2019

	Without donor restrictions
Support and revenue	
Support	
Government contracts and grants	$ 7,917,154
Individual and business donations	9,137
Total support	7,926,291
Revenue	
Program income	22,878
Interest income	679
Other miscellaneous revenue	101,843
Total revenue	125,400
Total support and revenue	8,051,691
Expenses	
Maryland direct service	2,002,165
Client services/technical assistance	991,440
Policy and innovation	3,286,353
Data management	110,532
Management and general	1,510,654
Business development	72,124
Total expenses	7,973,268
Increase in net assets	78,423
Net assets without donor restrictions, beginning of year	535,498
Net assets without donor restrictions, end of year	$ 613,921

See Notes to Consolidated Financial Statements.

Green & Healthy Homes Initiative, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Maryland direct service	Client services/ technical assistance	Marketing communications and policy	Data management	Management and general	Business development	Total
Salaries and benefits	$ 1,186,424	$ 652,935	$ 1,814,087	$ 98,532	$ 522,689	$ 72,124	$ 4,346,791
Mission marketing	8	-	300	-	300	-	608
Communications and information systems	19,998	12,324	120,494	12,000	129,476	-	294,292
Consulting	-	8,413	706,118	-	214,916	-	929,447
Contract professional services	22,970	3,573	16,557	-	320,924	-	364,024
Delivery	89	274	194	-	1,866	-	2,423
Depreciation	5,063	1,697	7,623	-	92,950	-	107,333
Due and registrations	310	172	1,286	-	7,842	-	9,610
Equipment rental and expenses	12	-	7,970	-	115	-	8,097
Insurance	2,002	6,600	-	-	47,820	-	56,422
Licenses and permits	496	-	-	-	1,577	-	2,073
Contributions	-	10,055	-	-	5,500	-	15,555
Printing	2,572	3,362	4,836	-	2,761	-	13,531
Program expenses	724,507	203,383	361,704	-	4,706		1,294,300
Rent and occupancy	126	20,538	102,580	-	13,585	-	136,829
Staff and organizational development	9,308	822	15,326	-	57,749	-	83,205
Supplies	1,668	649	1,964	-	17,311	-	21,592
Travel and mileage	26,612	66,643	125,314	-	68,479	-	287,048
Taxes	-	-	-	-	88	-	88
Total functional expenses	$ 2,002,165	$ 991,440	$ 3,286,353	$ 110,532	$ 1,510,654	$ 72,124	$ 7,973,268

See Notes to Consolidated Financial Statements.

Green & Healthy Homes Initiative, Inc. and Subsidiary

Consolidated Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets without donor restrictions	$ 78,423
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities	
Depreciation	107,333
(Increase) decrease in assets	
Accounts receivable - contracts and grants	(297,501)
Prepaid expenses	(16,421)
Decrease in liabilities	
Accounts payable and accrued expenses	(73,118)
Accrued retirement	(6,808)
Deferred contracts and grants	(2,087,644)
Net cash used in operating activities	(2,295,736)
Cash flows from investing activities	
Net purchases of furnishings and equipment	(10,580)
Net cash used in investing activities	(10,580)
Net decrease in cash and cash equivalents	(2,306,316)
Cash and cash equivalents, beginning of the year	2,861,956
Cash and cash equivalents, end of the year	$ 555,640

See Notes to Consolidated Financial Statements.

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, 2019, 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
Government grants and contracts, other grant and contracts, and contributions are classified as either conditional or unconditional. Revenue is recognized on a conditional grant or contribution once a barrier or hurdle to be entitled to the resource is overcome and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Corporation fails to overcome the barrier.

A portion of the Corporation’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Corporation has incurred expenditures in compliance with specific contract or grant provisions. GHHI has executed conditional grants and contracts of approximately $633,152 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred.

For other grants and contracts, amounts are recognized as revenue when the Corporation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are considered refundable advances and are classified as deferred revenue in the statement of financial position. At December 31, 2019, the Corporation had refundable advances of $870,842.

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, 2019. 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 2016, 2017 and 2018.

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 2019 resulted in no tax liability or deferred tax asset for the year ended December 31, 2019.

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 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 principles
During the year ended December 31, 2019, the Corporation adopted the provisions of Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. Adopting the new standard did not have a material effect on the timing of the Corporation’s revenue recognition for the year ended December 31, 2019.

During the year ended December 31, 2019, the Corporation has adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Adopting the new standard did not have a material effect on the Corporation's revenue recognition for the year ended December 31, 2019.

Note 2 - Liquidity and availability of resources

The Corporation has $1,735,941 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 $555,640 and accounts receivable of $1,180,301.

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 Corporation entered into a lease agreement for 12 months with monthly rent expense of $450 beginning on August 23, 2018. The lease agreement expired and is currently on a month-to-month lease. For the year ended December 31, 2019, rent expense under this lease was $5,850.

The Corporation leases its Baltimore office facility under an operating lease that expires on September 30, 2023. For the year ended December 31, 2019, rent expense under this lease was $42,425. Future minimum annual lease payments under this lease through the next five years are as follows:

For the year ended	Amount
2020	$ 47,175
2021	48,195
2022	49,215
2023	37,485
Total	$ 182,070

The Corporation leases its Washington, DC office facility under an operating lease that expires on December 31, 2020. For the year ended December 31, 2019, rent expense under this lease was $57,675. Future minimum annual lease payments under this lease through December 31, 2020 are $54,835.

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, 2019, rent expense under this lease was $10,128.

Subsequent to December 31, 2019, the Corporation entered into an agreement on March 19, 2020 to lease a Memphis, Tennessee office facility for the period from April 1, 2020 through March 31, 2021. Future minimum annual lease payments through December 31, 2020 and December 31, 2021 are $3,602 and $1,201, respectively.

Note 4 - Accounts receivable - contracts and grants

Contracts and grants receivable at December 31, 2019 consist of the following:

Contract Receivables	$	40,474
MD DHCD		94,786
MDE		27,747
MD DHMH		60,000
Annie E. Casey		150,000
CDBG		154,464
Programmatic Receivable		1,718
Account Receivable-Misc.		7,310
RWJ Foundation		86
Employee Receivables		348
United Way of Central Maryland		5,638
Legal Service		525
Salt Lake County		30,536
Balt. City Lead		4,651
City of Richmond		1,905
EPA		7,610
Rhode Island Housing		13,000
City of Providence		9,534
Baltimore City LHRD		9,946
Baltimore City DSS		12,537
Baltimore County DSS		8,112
Austin, TX		4,864
Rhode Island Housing		22,956
City of Pittsburgh		670
United Way of the Capital Area		1,667
The Fund for New Jersey		1,058
NYSERDA		89
Amerigroup		34,591
CNCS		275,940
Baltimore County		799
City of Jackson		30,158
Com. Found. of Herkimer & Oneid		30,618
Le Bonheur Community Health		29,297
AMCHP		5,860
Memphis Habitst AIP		346
Indiana South Bend		37,961
Partnership for New Jersey		62,500
	$	1,180,301

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 $36,104 as an employer discretionary contribution for 2019, which is included in accrued retirement as of December 31, 2019.

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, 2019.

Note 7 - **Risks and uncertainties**

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Corporation's financial position, results of operations, and cash flows. The Corporation is not able to reliably estimate the length or severity of this outbreak and the related financial impact.

Note 8 - 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 September 17, 2020 (the date the consolidated financial statements were available to be issued) and concluded that other than the subsequent event in Note 3 and the subsequent events disclosed below 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.

On April 3, 2020, the Corporation entered into a commercial note with Truist Bank for a line of credit in an amount up to $250,000. The line of credit is open ended and payable on demand. Interest is incurred on the outstanding balance at a rate of 1.5% plus the prime rate as defined in the commercial note agreement and due monthly. The line of credit is secured by all assets of the Corporation.

On April 20, 2020, the Corporation obtained a promissory note of $745,400 from its bank under the Small Business Administration’s ("SBA") Paycheck Protection Program that is part of the CARES Act stimulus relief. The note bears interest at 1% and requires monthly payments of principal and interest on the outstanding principal balance, unless otherwise forgiven in whole or in part by SBA under the CARES Act. The terms of the promissory note are subject to change based on final regulations issued. As of September 17, 2020, the Corporation is in the process of gaining approval for the entire loan balance to be forgiven.

On June 30, 2020, the Corporation obtained a promissory note with the U.S. Small Business Administration under the Economic Injury Disaster Loan ("EIDL") in an amount of $150,000. The long-term loan is available to meet financial obligations and operating expenses that could not have been met had the disaster, COVID-19, not occurred. Interest is incurred on the outstanding balance at a rate of 2.75% as defined in the loan agreement. The first payment has been deferred one year from the date of the loan. Subsequent to the deferred period, principal and interest of $641 is due monthly and the balance of the principal and interest is payable thirty years from the date of the promissory note. The loan is secured by all assets of the Corporation.

Supplementary Information

Green & Healthy Homes Initiative, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through entity identifying number	Grant expenditures	Total federal expenditures
Direct Federal Awards				
The Corporation for National & Community Service ("CNCS")				
Social Innovation Fund Pay for Success	94.024		$ 981,209	
				$ 981,209
Pass-through Programs from State and Local Government Agencies				
U.S. Environmental Protection Agency				
Community Campaign to Inform Residents of Risks and Rights	66.034	83924401	198,411	
				198,411
U.S. Department of Health and Human Services				
Association of Maternal and Child Health Programs (AMCHP)	93.110	UJ9MC31105	16,594	
Healthy Homes for Kids Project-Asthma Home Visiting Program	93.070	NUE1EH001336-02-00	20,227	
Lead Poisoning Prevention and Healthy Homes	93.753	1NUE2EH001396-01-00	9,101	
				45,922
U.S. Department of Housing and Urban Development				
Operation Lead Elimination Action Program				
HUD Lead Abatement at Low Income Residences - Baltimore City	14.905	MDLHD0248-12	183,257	
HUD Lead-Based Paint Hazard Control Grant Program - Rhode Island Housing	14.900	RILHB0563-13	11,561	
HUD Lead-Based Paint Hazard Control Grant Program - Providence	14.905	RILHD0263-17	17,406	
HUD Lead-Based Paint Hazard Control Grant Program - City of Jackson	14.900	HUD424CBW	34,467	
				246,691
Community Development and Community Service Block Grants (Cluster CFDA 14.218 and CFDA 14.225)				
Baltimore City Community Development Block Grant (CDBG)	14.218	44-38616/45-39172	157,420	
				157,420
Total federal expenditures				$ 1,629,653

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
December 31, 2019

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. for the year ended December 31, 2019. 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, 2019.

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, 2019, 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 September 17, 2020.

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
September 17, 2020

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 Green & Healthy Homes Initiative, Inc. and Subsidiary's major federal program for the year ended December 31, 2019. 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, 2019.

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.

CohnReznick LLP

Baltimore, Maryland
September 17, 2020

Green & Healthy Homes Initiative, Inc. and Subsidiary

Schedule of Findings and Questioned Costs
December 31, 2019

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	X	No
Significant deficiency(ies) identified that is not considered to be a material weakness.	______ Yes	X	None reported
Noncompliance material to financial statements noted?	______ Yes	X	No

Federal Awards

Internal control over major program:

Material weakness(es) identified?	______ Yes	X	No
Significant deficiency(ies) identified that is not considered to be a material weakness.	______ Yes	X	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	X	No

Identification of major program:

Program Name	CFDA Number	Amount
Social Innovation Fund Pay for Success	94.024	$ 981,209

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

Auditee qualified as low-risk auditee?	______ Yes	X	No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

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