

HEALTHY BUILDING NETWORK

WASHINGTON, DC

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COMPARATIVE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

**KENDALL, PREBOLA AND JONES**

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**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Directors  
Healthy Building Network  
1710 Connecticut Ave, NW, 4<sup>th</sup> Floor  
Washington, DC 20009

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the Healthy Building Network (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

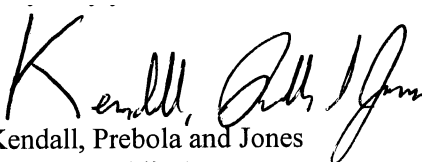
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Healthy Building Network as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program revenues and expenses is presented for purposes of additional analysis and is not a required part of the 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 audit of the 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 financial statements as a whole.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford Pennsylvania  
August 2, 2019

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 933,926	\$ 671,275
Accounts Receivable	29,989	26,435
Promises Receivable	631,080	364,546
Prepaid Expenses	<u>26,546</u>	<u>23,718</u>
Total Current Assets	<u>\$ 1,621,541</u>	<u>\$ 1,085,974</u>
<u>Fixed Assets:</u>		
Office Equipment and Furniture	\$ 30,589	\$ 26,139
Less: Accumulated Depreciation	(22,112)	(20,121)
Website	14,755	-
Less: Accumulated Amortization	<u>(1,998)</u>	<u>-</u>
Total Fixed Assets	<u>\$ 21,234</u>	<u>\$ 6,018</u>
<u>Other Assets:</u>		
Security Deposits	<u>\$ 2,571</u>	<u>\$ 2,571</u>
Total Other Assets	<u>\$ 2,571</u>	<u>\$ 2,571</u>
TOTAL ASSETS	<u>\$ 1,645,346</u>	<u>\$ 1,094,563</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 41,791	\$ 26,361
Accrued Vacation and Salaries	53,126	44,360
Deferred Revenue	372,432	187,555
Deferred Rent Abatement	<u>1,665</u>	<u>2,200</u>
Total Liabilities	<u>\$ 469,014</u>	<u>\$ 260,476</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 347,438	\$ 392,155
With Donor Restrictions	<u>828,894</u>	<u>441,932</u>
Total Net Assets	<u>\$ 1,176,332</u>	<u>\$ 834,087</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,645,346</u>	<u>\$ 1,094,563</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Year Ended December 31, 2018</u>			<u>Year Ended December 31, 2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>						
Grants and Contributions	\$ 376,129	\$ 1,180,130	\$ 1,556,259	\$ 317,554	\$ 507,820	\$ 825,374
Contract Revenue and Honoraria	826,454	-	826,454	982,840	-	982,840
Program Fees	29,428	-	29,428	32,481	-	32,481
Interest	1,123	-	1,123	909	-	909
Donated Services	20,000	-	20,000	126,576	-	126,576
Foreign Exchange Loss	(5,870)	-	(5,870)	-	-	-
Net Assets Released from Restriction - Satisfaction of Program Restrictions	<u>793,168</u>	<u>(793,168)</u>	<u>-</u>	<u>684,221</u>	<u>(684,221)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 2,040,432</u>	<u>\$ 386,962</u>	<u>\$ 2,427,394</u>	<u>\$ 2,144,581</u>	<u>\$ (176,401)</u>	<u>\$ 1,968,180</u>
<u>Expenses:</u>						
Program Services	\$ 1,900,548	\$ -	\$ 1,900,548	\$ 1,931,014	\$ -	\$ 1,931,014
Fundraising	77,839	-	77,839	80,717	-	80,717
Administration	<u>106,762</u>	<u>-</u>	<u>106,762</u>	<u>108,644</u>	<u>-</u>	<u>108,644</u>
Total Expenses	<u>\$ 2,085,149</u>	<u>\$ -</u>	<u>\$ 2,085,149</u>	<u>\$ 2,120,375</u>	<u>\$ -</u>	<u>\$ 2,120,375</u>
Change in Net Assets	\$ (44,717)	\$ 386,962	\$ 342,245	\$ 24,206	\$ (176,401)	\$ (152,195)
Net Assets at Beginning of Period	<u>392,155</u>	<u>441,932</u>	<u>834,087</u>	<u>367,949</u>	<u>618,333</u>	<u>986,282</u>
Net Assets at End of Period	<u>\$ 347,438</u>	<u>\$ 828,894</u>	<u>\$ 1,176,332</u>	<u>\$ 392,155</u>	<u>\$ 441,932</u>	<u>\$ 834,087</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Year Ended December 31, 2018				Year Ended December 31, 2017			
	Supporting Services		Program Services	Total	Supporting Services		Program Services	Total
	Administration	Fundraising			Administration	Fundraising		
Expenses:								
Salaries	\$ 38,650	\$ 48,780	\$ 1,127,877	\$ 1,215,307	\$ 41,090	\$ 51,128	\$ 993,545	\$ 1,085,763
Fringe Benefits and Payroll Taxes	9,323	11,465	270,405	291,193	9,527	11,855	231,433	252,815
Consultants and Contracted Services	34,808	10,384	300,326	345,518	1,308	8,859	419,886	430,053
Travel	815	2,211	36,628	39,654	3,955	2,815	49,205	55,975
Meetings and Conferences	8,599	-	41,758	50,357	5,986	1,134	36,740	43,860
Printing and Copying	88	106	2,822	3,016	-	-	228	228
Professional Fees	1,903	672	38,750	41,325	43,363	667	104,091	148,121
Supplies and Expense	613	122	3,671	4,406	153	201	3,692	4,046
Postage and Shipping	13	37	624	674	10	42	388	440
Telephone and Internet	914	1,096	31,529	33,539	1,000	1,257	30,351	32,608
Dues, Subscriptions and Publications	665	1,161	4,470	6,296	63	-	6,551	6,614
Equipment Rental and Maintenance	66	45	1,665	1,776	20	30	435	485
Rent	1,106	1,363	31,520	33,989	1,595	2,004	37,972	41,571
Insurance	8,961	-	318	9,279	289	368	8,080	8,737
Depreciation	213	265	5,951	6,429	214	268	5,215	5,697
Other Expense	-	-	-	-	18	22	493	533
Bank Service Charges and Fees	25	132	2,234	2,391	53	67	2,709	2,829
Total Expenses	<u>\$ 106,762</u>	<u>\$ 77,839</u>	<u>\$ 1,900,548</u>	<u>\$ 2,085,149</u>	<u>\$ 108,644</u>	<u>\$ 80,717</u>	<u>\$ 1,931,014</u>	<u>\$ 2,120,375</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 342,245	\$ (152,195)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization Expense	6,429	5,697
Foreign Exchange Loss	5,870	-
Accounts Receivable - (Increase)/Decrease	(3,554)	103,208
Promises Receivable - (Increase)/Decrease	(272,404)	126,759
Prepaid Expenses - (Increase)/Decrease	(2,828)	(413)
Security Deposits - (Increase)/Decrease	-	329
Accounts Payable - Increase/(Decrease)	15,430	10,375
Accrued Vacation and Salaries - Increase/(Decrease)	8,766	(16,470)
Deferred Revenue - Increase/(Decrease)	184,877	(264)
Deferred Rent Abatement - Increase/(Decrease)	<u>(535)</u>	<u>198</u>
Net Cash Flows from Operating Activities	<u>\$ 284,296</u>	<u>\$ 77,224</u>
<u>Investing Activities:</u>		
Proceeds from Sale of Fixed Assets	\$ 1,011	\$ 1,080
Acquisition of Fixed Assets	<u>(22,656)</u>	<u>(1,501)</u>
Net Cash Flows from Investing Activities	<u>\$ (21,645)</u>	<u>\$ (421)</u>
Net Increase in Cash	\$ 262,651	\$ 76,803
Cash and Cash Equivalents at Beginning of Period	<u>671,275</u>	<u>594,472</u>
Cash and Cash Equivalents at End of Period	<u>\$ 933,926</u>	<u>\$ 671,275</u>
<u>Supplemental Disclosures:</u>		

- a) No interest or income taxes were paid during years ended December 31, 2018 and 2017.

(See Accompanying Notes and Auditor's Report)



HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION:

The Healthy Building Network (HBN) was incorporated on May 18, 2006, pursuant to the provisions of the District of Columbia Nonprofit Corporation Act. Prior to incorporating, HBN was a project of the Institute for Local Self-Reliance (ILSR), a 501c(3) non-profit organization, from the year 2000 through March 31, 2008.

Healthy Building Network has a vision that all people and the planet thrive when the environment is free of hazardous chemicals. Our mission is to advance human and environmental health by improving hazardous chemical transparency and inspiring product innovation. We achieve this through our five key strategies: 1) Build capacity for informed decisions, 2) Drive market demand and adoption, 3) Increase transparency and public disclosure, 4) Reduce chemicals of concern use, and 5) Decrease exposures to toxic chemicals. As we gained clarity around these strategies, we have been able to focus our programs and products towards that end. HBN is the leading national organization advocating for a reduction in the use of toxic chemicals in building materials.

HBN serves as a trusted advisor advancing public health, equity and justice, and market transformation, with a focus on promoting the demand for manufacture of better building materials as an integral part of human and environmental health. This work consists of conducting research into the chemical composition of construction materials, finishes and products - and evaluating their appropriateness from the perspective of potential environmental, health and social impacts, as well as the development of web applications and tools that make this data widely available to and actionable by building owners, architects, designers and others who influence the building materials market. HBN works to establish healthfulness as an imperative of building product evaluation criteria, and to ensure that health impacts from chemical exposures no longer fall disproportionately on people of color, children, low-income workers, and other marginalized populations.

**Basic Programs**

Healthy Building Network currently has programs in three areas: innovative research; powerful data tools; and capacity-building education.

**1. Innovative Research**

HBN publishes innovative, actionable research that advances human and environmental health. For example, Kaiser Permanente cited HBN's research as the driver for its decision to prohibit the use of antimicrobial additives in its building product specification, and the Home Depot relied upon HBN's research to adopt a hazard avoidance chemical strategy that signals fundamental, permanent and systemic improvement in the building products industry, and is a strong step towards health equity in building products.

In addition, our influential electronic publications reach thousands of healthy building professionals, scientists, researchers and others interested in decreasing chemicals of concern and are key resources for opinion leaders in the field. As a thought leader, HBN focuses on market trends and policy issues that impact the green building community. In communicating our latest research findings we are often the first to raise new issues of concern.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION: (Continued)

**Basic Programs** (Continued)

**2. Powerful Data Tools**

HBN offers a suite of data tools designed to increase knowledge, promote transparency and inspire product innovation. It is currently difficult to identify healthier building materials because building product ingredients are not typically or reliably disclosed. HBN is the healthy building movement's acknowledged leader in advancing the disclosure of the contents and related health hazards in commonly used building products. Our data tools include:

- **Pharos:** The most comprehensive independent database of chemicals, polymers, metals, and other substances - currently over 140,000 records and counting. Using dozens of scientific lists for specific human and environmental health hazards, it aggregates a vast array of information used for analyzing chemicals of concern. The tool also provides a wealth of information on certifications and standards used to measure the health impacts of building materials, including VOC content and emissions, recycled and biobased content, and much more.
- **Data Commons:** The Chemical Hazard Data Commons is a tool to help scientists, researchers, and product innovators identify problematic chemicals and collaborate to find safer alternatives. With an active community forum and an ever-expanding library of substances - built on HBN's powerful Pharos database - the Data Commons is more than just a new way to search for chemical information. It is a shared dynamic space fostering ideas, dialogue, and a future where products free of chemical hazards are the norm and accessible to everyone.
- **Portico:** We are currently engaged with the various interested parties within the ecosystem to work on the next generation of this tool.
- **MaterialWise:** Fiscally sponsored by HBN, the program's mission is to be the most-trusted source for actionable chemical hazard information that empowers suppliers, manufacturers and brands to create products that are safe for humans and the environment. The mission will be realized by collaborating with the value chain to provide cost-efficient access to verified, actionable chemical hazard information and thereby enable better chemistry in product design and manufacturing. In the landscape of material-health and safer chemistry initiatives, MaterialWise supports organizations developing chemical guidelines (retailers, brands, NGOs, certifiers), providing a trusted evidence-base toward safer products.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION: (Continued)

**Basic Programs** (Continued)

**3. Capacity-Building Education**

HBN's primary education program is HomeFree, a national initiative supporting affordable housing leaders who are improving human health by using less toxic building materials. HomeFree is comprised of an online resource providing critical information to the affordable housing community, as well as communities of practice, spotlighting on-the ground demonstration projects across the country. Through HomeFree, HBN is enabling those who develop, own and operate affordable housing to work at the forefront of healthy building practice by adapting our leading-edge research and decision-making technology to the unique needs and opportunities in this market.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Organization are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

**Contributions**

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-imposed restrictions. 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Contributions** (Continued)

Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Contract and Program Revenue**

Contract revenues are considered to be exchange transactions, and are recognized as the services are completed. Program fees consist of subscription revenues to the Pharos online educational database and program fees for training sessions provided in relation to disseminating healthy building materials information. Program revenue is recognized in the year to which the revenue is earned. Deferred program revenues at December 31, 2018 and 2017 were \$372,432 and \$187,555, respectively.

(c) Corporate Taxes:

The Organization is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Accordingly, no income taxes have been provided for in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. The Organization did not have any net unrelated business income during the years ended December 31, 2018 or 2017.

(d) Grants:

Grant revenues result primarily from foundation grants. The grants are subject to audit by the funding organizations. Such audits could result in a request for reimbursement by the Organization for expenditures disallowed under the terms and conditions of the appropriate grantor.

(e) Net Assets:

The Organization reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Organization's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

**Net Assets with Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions were available at December 31, 2018 and 2017 for the following programs:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Program Services - Purpose Restricted:		
MaterialWise	\$ 458,420	\$ -
Affordable Housing Project	250,000	351,412
Pharos Project/Data Commons	120,474	75,833
Subscription Research	<u>-</u>	<u>14,687</u>
Total Net Assets with Donor Restrictions	<u>\$ 828,894</u>	<u>\$ 441,932</u>

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets with Donor Restrictions** (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by occurrence of other events specified by the donors for the following programs:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Program Services - Purpose Restricted:		
Affordable Housing Project	\$ 476,412	\$ 425,408
MaterialWise	141,710	-
Pharos Project/Data Commons	130,359	142,500
Subscription Research	44,687	21,313
Business Planning Project	-	85,000
Website	<u>-</u>	<u>10,000</u>
Total Released from Restrictions	<u>\$ 793,168</u>	<u>\$ 684,221</u>

(f) Donated Services:

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, 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.

In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. Donated legal services of \$20,000 and \$126,576, were recognized in the financial statements for the years ended December 31, 2018 and 2017, respectively.

(g) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, administration, and fundraising activities. Program service costs pertain to those costs incurred for the purpose of carrying out the Organization's mission. Administration costs pertain to supporting activities. Fundraising expenses relate to soliciting contributions and foundation grants.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Functional Expense Allocation Policies and Procedures: (Continued)

Salaries and related expenses are allocated to program services and supporting services based on time employees spend on each function. Expenses that are directly allocable to program services or supporting services are charged accordingly.

(h) 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 amount of assets, liabilities, revenues and expenses at the date of the financial statements. Accordingly, actual results could differ from these estimates.

(i) Fair Value of Certain Financial Instruments:

Some of the Organization's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, promises receivable, prepaid expenses, accounts payable, deferred revenues, and accrued expenses.

(j) Change in Accounting Principles:

The Organization implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Organization's changes in financial position arising from its activities.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes had no effect on net assets at January 1, 2018.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial statement date.

The Organization has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. The Organization also has other assets limited to use for donor-restricted purposes and for contractually required obligations which have not been included as a financial asset.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial Assets at year end:		
Cash and Cash Equivalents	\$ 933,926	\$ 671,275
Accounts and Promises Receivable	<u>661,069</u>	<u>390,981</u>
Total Financial Assets	\$ 1,594,995	\$ 1,062,256
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Donor-Imposed Restrictions - Purpose	<u>\$ 128,425</u>	<u>\$ 20,833</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve	<u>\$ 1,466,570</u>	<u>\$ 1,041,423</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

(4) ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Healthy Building Network performed an evaluation of uncertain tax positions for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for tax years 2015 through 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2018, the Organization had no accruals for interest and/or penalties.



HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(5) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Checking Account - Interest Bearing	\$ 273,099	\$ 336,321
Money Market Accounts	<u>660,827</u>	<u>334,954</u>
Total	<u>\$ 933,926</u>	<u>\$ 671,275</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

As of December 31, 2018, \$401 of the bank balances were deposited in excess of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF) limits.

Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Organization has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

(6) ACCOUNTS AND PROMISES RECEIVABLE:

**Accounts Receivable**

Accounts receivable as presented are considered fully collectible by management. Balances at year end consisted of the following:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Contracts and Program Fees	\$ 24,877	\$ 26,435
Reimbursable Expenses	<u>5,112</u>	<u>-</u>
Total Accounts Receivable	<u>\$ 29,989</u>	<u>\$ 26,435</u>

The Organization's accounts receivable consists of unsecured amounts due from parties whose ability to pay is subject to changes in economic conditions. The Organization does not require collateral and was at risk for the balance of the accounts receivable at December 31, 2018 and 2017. Management believes the risk related to these balances is minimal.

Contracts and other receivables are recognized as revenue on the accrual basis of accounting at the time that the program activity has occurred. Accounts receivable are stated at the amount the Organization expects to collect. Credit is extended for a period of 90 days with no interest accrual at which time payments are considered delinquent. The balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(6) ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

**Promises Receivable**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Purpose Restricted	\$ 593,420	\$ 350,000
Without Donor Restrictions	<u>37,660</u>	<u>14,546</u>
Total Promises Receivable	<u>\$ 631,080</u>	<u>\$ 364,546</u>

For the years ended December 31, 2018 and 2017, respectively, all promises receivable were due to be received in one year or less.

Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributions comprising the Organization's contributor base and their dispersion across different industries and donor backgrounds. However, as of December 31, 2018 and 2017, approximately 77% and 96%, respectively, of the Organization's promises receivable (\$483,420 and \$350,000) was due from two donors. The Organization does not believe they are at any significant credit risk related to these promises made based on historical collection and the organizational relationship with these donors.

(7) FIXED ASSETS:

Furniture and office equipment are recorded at cost. Contributed assets are recorded at fair value. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life, which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. Depreciation and amortization has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$6,429 and \$5,697, respectively. Maintenance and repairs are charged to expenses as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Classification of fixed assets and their estimated useful lives are as summarized below:

December 31, 2018:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
Office Furniture and Equipment	\$ 30,589	\$ 22,112	\$ 8,477	3-7 years
Website	<u>14,755</u>	<u>1,998</u>	<u>12,757</u>	4 years
Total Fixed Assets	<u>\$ 45,344</u>	<u>\$ 24,110</u>	<u>\$ 21,234</u>	

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(7) FIXED ASSETS: (Continued)

December 31, 2017:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
Office Furniture and Equipment	\$ 26,139	\$ 20,121	\$ 6,018	3-7 years
Total Fixed Assets	<u>\$ 26,139</u>	<u>\$ 20,121</u>	<u>\$ 6,018</u>	

(8) OPERATING LEASES AND COMMITMENTS:

The Organization leased space in three locations: Washington, DC, Vermont and Maine. The Organization leases space in Vermont and Maine on a month-to-month basis.

**Washington, DC - Connecticut Avenue**

The Organization entered into a lease agreement on December 18, 2014, for the rental of office space located at 1710 Connecticut Avenue, NW, Washington, DC. The lease term began on April 1, 2015, and is scheduled to expire on March 31, 2020. The monthly rent payments in year 1 were \$2,400 with payments beginning on April 1, 2015. The monthly rent increases annually on April 1<sup>st</sup>. As a requirement of this lease, a security deposit in the amount of \$2,400 was made. This lease was entered into jointly with the Institute for Local Self-Reliance. These payment amounts represent the Healthy Building Network's share of the lease.

On March 1, 2018, the Organization signed a lease amendment which resulted in a decrease in square footage of office space rented at 1710 Connecticut Avenue. This amendment resulted in a monthly decrease in monthly rental payments. The Organization's monthly rental payment at December 31, 2018, was \$2,070. Rental payments increase to \$2,133 for the final year of the lease.

The Organization is obligated to pay a portion of the annual increase in operating cost of the leased property. An estimate of the annual increase in operating cost has not been included in the following table. Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes scheduled rent increases, be recorded on a straight-line basis over the term of the lease. Accordingly, \$1,665 of future rent payments have been recorded as a current liability to adjust the actual rent paid to conform to the straight-line basis. The rental expense related to this lease for the years ended December 31, 2018 and 2017 was \$28,330 and \$30,433, respectively. As of December 31, 2018, future minimum rental obligations required under this lease, net of rent abatement are as follows:

<u>Year Ending December 31,</u>	<u>Rent Obligation</u>	<u>Rent Abatement</u>	<u>Net Obligation</u>
2019	\$ 24,120	\$ 1,287	\$ 25,407
2020	<u>6,021</u>	<u>378</u>	<u>6,399</u>
Total	<u>\$ 30,141</u>	<u>\$ 1,665</u>	<u>\$ 31,806</u>

Total rental expense for the years ended December 31, 2018 and 2017 was \$33,989 and \$41,571, respectively.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(9) RETIREMENT PLAN:

Employees of the Organization are covered under an optional contributory retirement plan that covers substantially all employees. The Organization does not provide employer matching contributions. There is no unfunded past service liability. Therefore, there was no expense for the years ended December 31, 2018 and 2017.

(10) EMPLOYEE BENEFITS:

**Fringe Benefits and Payroll Taxes**

Fringe benefits and payroll taxes at year end consisted of the following:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Social Security	\$ 93,062	\$ 84,654
Medical Insurance	193,741	156,762
Unemployment	2,770	5,830
Workers Compensation	4,065	5,569
Less: Benefits Capitalized as part of Website Costs	<u>(2,445)</u>	<u>-</u>
Total	<u>\$ 291,193</u>	<u>\$ 252,815</u>

(11) CONCENTRATIONS:

Based on the nature and purpose of the Organization, significant revenues are received through parties interested in establishing healthier building practices. In addition, approximately sixty-five percent (65%) of current year revenues, excluding donated services, were derived from grant and contribution revenues.

(12) RELATED PARTY TRANSACTIONS:

The Institute for Local Self-Reliance (ILSR) and the Healthy Building Network (HBN) share office space that is separately leased from a third party. HBN pays the third party and ILSR reimburses HBN for their share of the rent. ILSR reimbursed HBN \$35,399 and \$51,229 during the years ended December 31, 2018 and 2017, respectively. At December 31, 2018, a receivable of \$3,423 was due from ILSR.

The Founder and President of the Organization is a Board Member of the Health Product Declaration Collaborative (HPDC). One other board member of the Organization is also a Board Member of the Health Product Declaration Collaborative. The Organization entered into a Technology License and Services agreement with HPDC to advance and maintain the Health Product Declaration (HPD), an impartial tool for accurate reporting of product contents and related health concerns. For the years ended December 31, 2018 and 2017, respectively, the Organization earned \$22,834 and \$50,983 in contract revenues from HPDC. As of December 31, 2018 and 2017, respectively, the Organization had a receivable of \$5,000 and \$9,250 from HPDC. Other organizations with which Board Members are affiliated provided contract revenues in the amount of \$25,000 and \$60,000, respectively, to HBN during the 2018 and 2017 years.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(12) RELATED PARTY TRANSACTIONS: (Continued)

Various Board Members and their affiliated organizations gave contributions to the Healthy Building Network totaling \$23,218 and \$15,965 during the years ended December 31, 2018 and 2017, respectively. A Board Member's firm also provided contributed legal services in the amount of \$20,000 and \$126,576, respectively, during the years ended December 31, 2018 and 2017.

The Organization utilizes a credit card for purchases related to organizational activity. The credit card is issued in the name of the Organization but is personally guaranteed by the Founder and President.

(13) FUNDRAISING:

Expenses in the amount of \$77,839 and \$80,717 were incurred for the purposes of fundraising during the years ended December 31, 2018 and 2017, respectively.

(14) SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 2, 2019, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

(15) CONTINGENCIES:

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization's Board of Directors and management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

HEALTHY BUILDING NETWORK  
SCHEDULE OF PROGRAM REVENUES AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Other HBN Program Services</u>	<u>MaterialWise</u>	<u>Total Program Services</u>
<u>Program Revenues, Gains and Other Support:</u>			
Grants and Contributions	\$ 956,129	\$ 600,130	\$ 1,556,259
Contract Revenue and Honoraria	768,793	57,660	826,453
Program Fees	29,428	-	29,428
Donated Services	20,000	-	20,000
Foreign Exchange Loss	<u>(587)</u>	<u>(5,283)</u>	<u>(5,870)</u>
 Total Revenues, Gains and Other Support	 <u>\$ 1,773,763</u>	 <u>\$ 652,507</u>	 <u>\$ 2,426,270</u>
<u>Expenses:</u>			
Salaries	\$ 1,127,877	\$ -	\$ 1,127,877
Fringe Benefits and Payroll Taxes	270,405	-	270,405
Consultants and Contracted Services	174,768	125,558	300,326
Travel	32,883	3,745	36,628
Meetings and Conferences	40,320	1,438	41,758
Printing and Copying	2,822	-	2,822
Professional Fees	35,534	3,216	38,750
Supplies and Expense	3,671	-	3,671
Postage and Shipping	624	-	624
Telephone and Internet	30,280	1,249	31,529
Dues, Subscriptions and Publications	4,245	225	4,470
Equipment Rental and Maintenance	1,665	-	1,665
Rent	31,520	-	31,520
Insurance	-	318	318
Depreciation	5,951	-	5,951
Bank Service Charges and Fees	2,234	-	2,234
Indirect Costs	<u>(58,338)</u>	<u>58,338</u>	<u>-</u>
 Total Program Expenses	 <u>\$ 1,706,461</u>	 <u>\$ 194,087</u>	 <u>\$ 1,900,548</u>

(See Accompanying Notes and Auditor's Report)