

HEALTHY BUILDING NETWORK

WASHINGTON, DC

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AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**KENDALL, PREBOLA AND JONES**

Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

***Report on the Financial Statements***

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, 2014 and 2013, 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, 2014 and 2013, 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.

  
Certified Public Accountants

Bedford Pennsylvania  
May 29, 2015

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 379,171	\$ 389,686
Accounts Receivable	90,423	78,467
Promises Receivable	219,547	167,451
Prepaid Expenses	<u>14,618</u>	<u>10,219</u>
Total Current Assets	<u>\$ 703,759</u>	<u>\$ 645,823</u>
<u>Fixed Assets:</u>		
Office Equipment and Furniture	\$ 12,767	\$ 14,146
Less: Accumulated Depreciation	<u>(7,642)</u>	<u>(10,812)</u>
Total Fixed Assets	<u>\$ 5,125</u>	<u>\$ 3,334</u>
<u>Other Assets:</u>		
Security Deposits	<u>\$ 9,080</u>	<u>\$ 4,280</u>
TOTAL ASSETS	<u>\$ 717,964</u>	<u>\$ 653,437</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 75,651	\$ 23,350
Accrued Vacation and Salaries	51,268	47,682
Deferred Revenue	26,813	23,558
Deferred Rent Abatement	<u>635</u>	<u>3,177</u>
Total Liabilities	<u>\$ 154,367</u>	<u>\$ 97,767</u>
<u>Net Assets:</u>		
Unrestricted	\$ 202,842	\$ 382,647
Temporarily Restricted	<u>360,755</u>	<u>173,023</u>
Total Net Assets	<u>\$ 563,597</u>	<u>\$ 555,670</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 717,964</u>	<u>\$ 653,437</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Year Ended December 31, 2014</u>			<u>Year Ended December 31, 2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>						
Grants and Contributions	\$ 241,705	\$ 390,000	\$ 631,705	\$ 492,030	\$ 220,000	\$ 712,030
Contract Revenue	496,954	-	496,954	271,095	-	271,095
Program Fees	55,955	-	55,955	55,999	-	55,999
Interest	513	-	513	707	-	707
Donated Services	40,638	-	40,638	54,654	-	54,654
Net Assets Released from Restriction - Satisfaction of Program Restrictions	<u>202,268</u>	<u>(202,268)</u>	<u>-</u>	<u>224,204</u>	<u>(224,204)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 1,038,033</u>	<u>\$ 187,732</u>	<u>\$ 1,225,765</u>	<u>\$ 1,098,689</u>	<u>\$ (4,204)</u>	<u>\$ 1,094,485</u>
<u>Expenses:</u>						
Program Services	\$ 1,111,792	\$ -	\$ 1,111,792	\$ 984,365	\$ -	\$ 984,365
Fundraising	75,701	-	75,701	70,847	-	70,847
Administration	<u>30,345</u>	<u>-</u>	<u>30,345</u>	<u>36,960</u>	<u>-</u>	<u>36,960</u>
Total Expenses	<u>\$ 1,217,838</u>	<u>\$ -</u>	<u>\$ 1,217,838</u>	<u>\$ 1,092,172</u>	<u>\$ -</u>	<u>\$ 1,092,172</u>
Change in Net Assets	\$ (179,805)	\$ 187,732	\$ 7,927	\$ 6,517	\$ (4,204)	\$ 2,313
Net Assets at Beginning of Period	<u>382,647</u>	<u>173,023</u>	<u>555,670</u>	<u>376,130</u>	<u>177,227</u>	<u>553,357</u>
Net Assets at End of Period	<u>\$ 202,842</u>	<u>\$ 360,755</u>	<u>\$ 563,597</u>	<u>\$ 382,647</u>	<u>\$ 173,023</u>	<u>\$ 555,670</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Year Ended December 31, 2014</u>				<u>Year Ended December 31, 2013</u>			
	<u>Supporting Services</u>		<u>Program Services</u>	<u>Total</u>	<u>Supporting Services</u>		<u>Program Services</u>	<u>Total</u>
	<u>Administration</u>	<u>Fundraising</u>			<u>Administration</u>	<u>Fundraising</u>		
<u>Expenses:</u>								
Salaries	\$ 20,818	\$ 51,245	\$ 640,819	\$ 712,882	\$ 20,120	\$ 45,705	\$ 556,114	\$ 621,939
Fringe Benefits and Payroll Taxes	4,301	10,608	131,548	146,457	4,291	9,661	118,116	132,068
Consultants and Contracted Services	-	-	126,736	126,736	5,759	-	120,629	126,388
Travel	-	1,519	24,275	25,794	-	4,138	28,795	32,933
Meetings and Conferences	801	-	24,837	25,638	1,626	-	17,543	19,169
Printing and Copying	-	552	-	552	-	-	434	434
Professional Fees	2,030	5,071	79,418	86,519	2,289	5,027	65,209	72,525
Office Supplies and Expense	141	389	4,700	5,230	167	406	5,297	5,870
Postage and Shipping	4	123	125	252	4	101	225	330
Telephone and Internet	599	1,490	21,777	23,866	574	1,328	18,011	19,913
Website	-	-	1,995	1,995	-	-	3,115	3,115
Dues, Subscriptions and Publications	27	564	3,345	3,936	26	556	1,880	2,462
Equipment Rental and Maintenance	14	30	376	420	28	48	608	684
Rent	1,218	3,144	38,743	43,105	1,313	2,920	35,513	39,746
Insurance	291	727	9,010	10,028	295	648	7,743	8,686
Depreciation	71	166	2,066	2,303	105	239	2,892	3,236
Loss on Disposal of Fixed Assets	-	-	-	-	331	-	-	331
Other Expense	-	-	-	-	-	-	720	720
Bank Service Charges and Fees	30	73	2,022	2,125	32	70	1,521	1,623
Total Expenses	<u>\$ 30,345</u>	<u>\$ 75,701</u>	<u>\$ 1,111,792</u>	<u>\$ 1,217,838</u>	<u>\$ 36,960</u>	<u>\$ 70,847</u>	<u>\$ 984,365</u>	<u>\$ 1,092,172</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Year Ended</u> <u>December 31, 2014</u>	<u>Year Ended</u> <u>December 31, 2013</u>
Change in Net Assets	\$ 7,927	\$ 2,313
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided by/(Used) in Operating Activities:		
Depreciation Expense	2,303	3,236
Loss on Disposal of Fixed Assets	-	331
Accounts Receivable - (Increase)/Decrease	(11,956)	(69,095)
Promises Receivable - (Increase)/Decrease	(52,096)	(86,406)
Prepaid Expenses - (Increase)/Decrease	(4,399)	1,024
Security Deposit - (Increase)/Decrease	(4,800)	-
Accounts Payable - Increase/(Decrease)	52,301	(7,906)
Accrued Vacation and Salaries - Increase/(Decrease)	3,586	9,269
Deferred Revenue - Increase/(Decrease)	3,255	610
Deferred Rent Abatement - Increase/(Decrease)	<u>(2,542)</u>	<u>(1,146)</u>
Net Cash Flows Provided by/(Used) in Operating Activities	\$ <u>(6,421)</u>	\$ <u>(147,770)</u>
<u>Investing Activities</u>		
Acquisition of Office Equipment and Furniture	\$ <u>(4,094)</u>	\$ <u>(1,377)</u>
Net Cash Flows Provided by/(Used) in Investing Activities	\$ <u>(4,094)</u>	\$ <u>(1,377)</u>
Net Increase/(Decrease) in Cash	\$ (10,515)	\$ (149,147)
Cash and Cash Equivalents at Beginning of Period	<u>389,686</u>	<u>538,833</u>
Cash and Cash Equivalents at End of Period	<u>\$ 379,171</u>	<u>\$ 389,686</u>

Supplemental Disclosures:

a) No interest or income taxes were paid during years ended December 31, 2014 and 2013.

(See Accompanying Notes and Auditor's Report)



HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

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.

HBN is the leading national organization advocating health-based, green building standards that reduce human exposures to highly toxic chemicals. HBN's mission is to transform the market for building materials to advance best environmental, human health and social practices.

Since 2000, HBN has compiled a demonstrated record of success, including:

- A successful campaign to end the use of arsenic in pressure-treated wood;
- A critical role as the lead NGO supporting California's establishment of the nation's most stringent restrictions on formaldehyde emissions from particleboard and other composite woods;
- Creation of the Pharos Project in 2006, the most authoritative, comprehensive and transparent tool for evaluating building materials, powered by a one-of-a kind database that screens over 34,000 chemicals and materials against 60 authoritative hazards list;
- A leadership role in the October 2010 creation of two new Leadership in Energy and Environmental Design (LEED) Credits that reward the avoidance of phthalates, flame retardants and persistent bioaccumulative toxins;
- A leadership role in the November 2010 passage of LEED for Healthcare (LEED HC), the first of the LEED standards to incorporate toxic chemical reduction strategies advocated by the environmental health movement. HBN staff served on both the LEED HC Committee, and cocoordinated the founding Steering Committee of the Green Guide for Health Care, which became the foundation upon which LEED HC is based;
- Creation of the Health Product Declaration Open Standard in July 2011, a voluntary format for disclosing product content and related health concerns that are typically not reported by manufacturers even when a product, or a building, is certified "green;" and founding member of the Board of Directors for the Health Product Declaration Collaborative in 2012, an independent non-profit organization that manages the open standard;
- Creation of the HPD Builder in 2013. The HPD Builder is an online tool that makes it easier for manufacturers to create Health Product Declarations by drawing chemical hazard information from the Pharos Chemical and Materials library;
- Publication of Healthy Building News, an electronic newsletter that has since 2002 provided green building professionals with timely, reliable information and perspective on market and political trends that are defining the green building movement, and the Pharos Project blog, *The Signal*, in which Pharos Project researchers share their findings.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Organization are summarized below:

(a) Accounting Method:

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:

**Grants and Contributions**

The Organization has adopted Statement of Financial Accounting Standards Board ASC No. 958-605-25 (formerly SFAS No. 116), *Accounting for Contributions Received and Contributions Made*. As such, grants and contributions are recognized as revenue when they are received or unconditionally pledged.

All grants and contributions are available for unrestricted use unless specifically restricted by the donor. Grants, contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Other grants, contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

**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 also during the 2013 year, the Organization began collecting 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, 2014 and 2013 were \$26,813 and \$23,558, respectively.

(c) Corporate Taxes:

The Organization is exempt from federal and state income taxes 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.

(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.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

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

(e) Net Assets:

The Organization has adopted Statement of Financial Accounting Standards Board ASC No. 958-205-05 (formerly SFAS No. 117), *Financial Statements of Not-for-profit Organizations*. Under FASB ASC No. 958-205-05, the Organization is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor imposed conditions which have been met in the current year and net assets subject to donor imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets were available at December 31, 2014 and 2013 for the following programs:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Program Services - Purpose Restricted:		
Pharos Project	\$ 174,334	\$ 146,250
Affordable Housing Project	126,421	-
California Wellness Foundation Project	50,000	26,773
Organizational Development	<u>10,000</u>	<u>-</u>
Total	<u>\$ 360,755</u>	<u>\$ 173,023</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Program Services - Purpose Restricted:		
Pharos Project	\$ 171,916	\$ 68,750
Affordable Housing Project	3,579	80,648
California Wellness Foundation Project	26,773	64,806
Organizational Development	<u>-</u>	<u>10,000</u>
Total	<u>\$ 202,268</u>	<u>\$ 224,204</u>

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

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

(e) Net Assets: (Continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Organization did not have any permanently restricted net assets as of December 31, 2014 and 2013.

(f) Donated Services:

Donated legal, consulting and contracted services of \$40,638 and \$54,654 were recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed services and promises to give services that do not meet the above criteria are not recognized.

(g) Basic Programs:

The Healthy Building Network is a 501c(3) charitable organization that engages in the environmental education of the public, with a focus on promoting healthier building materials and green building strategies. This work consists of conducting research on construction materials, finishes and products - and evaluating their appropriateness from the perspective of potential environmental, health and social impacts.

HBN's primary strategy in support of its mission to transform the building products market to promote best environmental, health and social justice practices is the Pharos Project. The Pharos Project is an online system that scores building materials against a number of impact categories, including renewable materials content, renewable energy, manufacturing toxics, toxic content, and volatile organic compounds. Products are scored against an extensive database of chemical hazards, compiled from over 60 authoritative governmental and nongovernmental lists. The Pharos Project research team conducts extensive product research in order to provide the data inputs into the Pharos Project databases. We also publish independent research and reports to educate the public about chemical hazards in building products, and make policy recommendations that promote reduced use of hazardous materials.

The Pharos Project address two fundamental questions for those committed to positive environmental change: how to reliably evaluate and select building materials that match your environmental and social values and how to communicate those values in a way that drives product innovation and broader market transformation. In 2014, HBN offered subscriptions to the Pharos Project to individuals for \$180 per year and to groups for \$540.

HBN works to establish healthfulness as an imperative of building product evaluation criteria, and focus the industry on the true scope of requirements necessary to provide a transparent, independent verification source for manufacturer product claims.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

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

(h) Functional Expenses:

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.

(i) 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.

(j) Fundraising:

Expenses in the amount of \$75,701 and \$70,847 were incurred for the purposes of fundraising during the years ended December 31, 2014 and 2013, respectively.

(k) 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.

(2) ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC No. 740-10 [formerly Interpretation No. 48 (FIN 48)], *Accounting for Uncertainty in Income Taxes*, which is an interpretation of ASC 740's (formerly SFAS No. 109), *Accounting for Income Taxes*. FASB ASC No. 740-10 clarifies the accounting for uncertainty in income taxes recognized in the Organization's financial statements in accordance with ASC 740's and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC No. 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax return to determine whether the tax positions have a "more-likely-than-not" probability of being sustained by the applicable tax authority.

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2014, 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, 2014, the statute of limitations for tax years 2011 through 2013 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, 2014, the Organization had no accruals for interest and/or penalties.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(3) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of December 31, 2014 and 2013 totaled \$379,171 and \$389,686, respectively, and consisted of the following:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Checking Account - Interest Bearing	\$ 268,492	\$ 151,328
Money Market Accounts	<u>110,679</u>	<u>238,358</u>
Total	<u>\$ 379,171</u>	<u>\$ 389,686</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. Certificates of Deposit with original maturities in excess of three months are considered to be investments. The Healthy Building Network did not have any Certificates of Deposit as of December 31, 2014 and 2013.

At times during the year, Healthy Building Network maintained cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF) limits. 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.

(4) ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable:

Accounts receivable as presented are considered fully collectible by management. Balances at December 31, 2014 and 2013 consisted of the following:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Contracts and Program Fees	\$ 90,423	\$ 78,467
Total	<u>\$ 90,423</u>	<u>\$ 78,467</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, 2014 and 2013. 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 HBN 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

(4) 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 December 31, 2014 and 2013 consisted of the following:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Unrestricted	\$ 9,547	\$ 167,451
Purpose Restricted	<u>210,000</u>	<u>-</u>
Total Promises Receivable	<u>\$ 219,547</u>	<u>\$ 167,451</u>

For the years ended December 31, 2014 and 2013, respectively, all promises receivable were due to be received in one year or less.

(5) 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 has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended December 31, 2014 and 2013 was \$2,303 and \$3,236, 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, 2014:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
Office Furniture and Equipment	\$ 12,767	\$ 7,642	\$ 5,125	3-7 years
Total Fixed Assets	<u>\$ 12,767</u>	<u>\$ 7,642</u>	<u>\$ 5,125</u>	

December 31, 2013:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
Office Furniture and Equipment	\$ 14,146	\$ 10,812	\$ 3,334	3-7 years
Total Fixed Assets	<u>\$ 14,146</u>	<u>\$ 10,812</u>	<u>\$ 3,334</u>	

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(6) RETIREMENT PLAN:

Employees of the Organization are covered under an optional contributory retirement plan that covers substantially all employees. Effective July 1, 2009, the Organization discontinued employer matching contributions. There is no unfunded past service liability. Therefore, there was no expense for the years ended December 31, 2014 and 2013.

(7) OPERATING LEASES AND COMMITMENTS:

The Organization leased space in three locations: Washington, DC, Vermont and Maine.

Washington, DC - S Street:

The Organization entered into a lease agreement for the rental of office space located at 2001 S Street, NW, Washington DC (the organization's main office) for 63 months commencing during December 2009 and expiring on March 31, 2015. This lease contains a three (3) month rent abatement period. This rent abatement is further disclosed in Note 8. The monthly rental payment was \$1,931 for the first twelve (12) months of the lease and increases each year thereafter by two-and-a-half percent (2.5%). This lease was entered into jointly with the Institute for Local Self-Reliance who utilizes a portion of the space in this office. The amount that the Organization pays is based on the proportioned share of space used. As a requirement of this lease, a security deposit in the amount of \$3,780 was made. 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. Rental expense related to this lease for the years ended December 31, 2014 and 2013 was \$30,325 and \$26,966, respectively. Future minimum payments are as follows:

Year Ending December 31,

2015	\$ <u>4,264</u>
Total	\$ <u>4,264</u>

Vermont:

The Organization entered into a lease, at a monthly cost of \$790, for the rental of office space located in Vermont. This lease is for a one-year period with an option to extend the lease for an additional one-year period at the end of the initial lease year.

Maine:

HBN leases this space on a month to month basis. The monthly cost in 2014 and 2013 was \$275 per month.

Total rental expense for the years ended December 31, 2014 and 2013 was \$43,105 and \$39,746, respectively.



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(7) OPERATING LEASES AND COMMITMENTS: (Continued)

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 is scheduled to commence on April 1, 2015, and expire on March 31, 2020. Monthly rent payments of \$2,400 began on April 1, 2015. As a requirement of this lease, a security deposit in the amount of \$4,800 was made. This lease was entered into jointly with the Institute for Local Self-Reliance. 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. There was no rental expense related to this lease for the years ended December 31, 2014 and 2013. As of December 31, 2014, future minimum rental obligations required under this lease, net of rent abatement are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Rent</u> <u>Obligation</u>	<u>Rent</u> <u>Abatement</u>	<u>Net</u> <u>Obligation</u>
2015	\$ 22,707	\$ (1,107)	\$ 21,600
2016	30,276	(936)	29,340
2017	30,276	(203)	30,073
2018	30,276	549	30,825
2019	<u>30,276</u>	<u>1,697</u>	<u>31,973</u>
Total	<u>\$ 143,811</u>	<u>\$ -</u>	<u>\$ 143,811</u>

(8) DEFERRED RENT ABATEMENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes a rent abatement period and scheduled rent increases, be recorded on a straight-line basis over the term of the lease. As noted above, the Healthy Building Network entered into a lease agreement for the rental of office space located in Washington DC for 63 months, commencing during December 2009 and expiring on March 31, 2015. As a condition of the lease terms, the first three months of rent have been abated. Accordingly, \$635 of future rent payments has been recorded as a current liability to adjust the actual rent paid to conform to the straight-line basis. This balance is the unamortized deferred rent abatement at December 31, 2014. The unamortized deferred rent abatement was \$3,177 as of December 31, 2013. The balance of the deferred rent abatement is scheduled to change over the life of the lease as follows:

<u>Year Ending December 31,</u>	
2015	\$ (635)
Total	<u>\$ (635)</u>

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(9) EMPLOYEE BENEFITS:

Fringe Benefits and Payroll Taxes:

The fringe benefits and payroll taxes for the years ended December 31, 2014 and 2013 consisted of the following:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Social Security	\$ 55,512	\$ 48,048
Medical Insurance	85,253	78,480
Unemployment	2,820	2,872
Workers Compensation	<u>2,872</u>	<u>2,668</u>
Total	<u>\$ 146,457</u>	<u>\$ 132,068</u>

(10) 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 fifty-two percent (52%) of current year revenues were derived from foundation grants and contributions.

(11) 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. ILSR also charges HBN for a portion of one staff person's salary who provides services to HBN. In addition, some operating costs, such as telephone, supplies and equipment maintenance were paid by ILSR and reimbursed by HBN. These costs amounted to \$90,625 during the year ended December 31, 2014, and \$83,653 during the year ended December 31, 2013.

The Executive Director of the Organization is also a Board Member of the Health Product Declaration Collaborative (HPDC). In 2013, 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. The contract is for the period November 18, 2013 thru November 17, 2016. For the years ended December 31, 2014 and 2013, respectively, the Organization earned \$200,000 and \$41,667 in contract revenues from HPDC. As of December 31, 2014 and 2013, respectively, the Organization had a receivable of \$19,000 and \$1,667 from HPDC. Another organization with which a Board Member is affiliated provided contract revenues in the amount of \$15,000 to HBN during the 2014 year.

Various Board Members of the Organization and an affiliated foundation gave contributions to the Organization totaling \$11,450 and \$19,585 during the years ended December 31, 2014 and 2013, respectively. A Board Member's firm also provided contributed legal services in the amount of \$16,538 during the year ended December 31, 2014.

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 executive director.

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(13) SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 29, 2015, 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.

(14) 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.

(15) CONSOLIDATION:

Management has applied the principles of ASC 958-810-15 (formerly Statement of Position No. 94-3) *Reporting of Related Entities by Not-for-Profit Organizations* in assessing the need to consolidate the financial statements of HBN with those of the Institute for Local Self-Reliance. Under ASC 958-810-15, consolidation should occur if both an economic interest between the organizations and control by a majority of common board members exists. Based on the criteria stipulated in the pronouncement, management has determined that financial statement consolidation is not appropriate for the years ended December 31, 2014 and 2013. Therefore, the accompanying financial statements reflect only the activity and net assets of the Healthy Building Network.