HEALTHY BUILDING NETWORK

WASHINGTON, DC

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

The Board of Directors
Healthy Building Network
2001 S Street, NW, Suite 570
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 comparative statements of financial position as of December 31, 2013 and 2012, and the related comparative 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.

133 MANN STREET, P.O. BOX 259, BEDFORD, PA 15522-0259 / (814) 623-1880

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, 2013 and 2012, 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
April 7, 2014

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	December 31, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 389,686	$ 538,833
Accounts Receivable	78,467	9,372
Promises Receivable	167,451	81,045
Prepaid Expenses	10,219	11,243
Total Current Assets	$ 645,823	$ 640,493
Fixed Assets:		
Office Equipment and Furniture	$ 14,146	$ 13,868
Less: Accumulated Depreciation	(10,812)	(8,344)
Total Fixed Assets	$ 3,334	$ 5,524
Other Assets:		
Security Deposits	$ 4,280	$ 4,280
TOTAL ASSETS	$ 653,437	$ 650,297
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 23,350	$ 31,256
Accrued Vacation	47,682	38,413
Deferred Revenue	23,558	22,948
Deferred Rent Abatement	3,177	4,323
Total Liabilities	$ 97,767	$ 96,940
Net Assets:		
Unrestricted	$ 382,647	$ 376,130
Temporarily Restricted	173,023	177,227
Total Net Assets	$ 555,670	$ 553,357
TOTAL LIABILITIES AND NET ASSETS	$ 653,437	$ 650,297

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:						
Grants and Contributions	$ 492,030	$ 220,000	$ 712,030	$ 672,695	$ 121,747	$ 794,442
Contract Revenue	271,095	-	271,095	68,375	-	68,375
Program Fees	55,999	-	55,999	57,471	-	57,471
Interest	707	-	707	1,649	-	1,649
Donated Services	54,654	-	54,654	47,293	-	47,293
Net Assets Released from Restriction – Satisfaction of Program Restrictions	224,204	(224,204)	-	203,360	(203,360)	-
Total Revenues, Gains and Other Support	$ 1,098,689	$ (4,204)	$ 1,094,485	$ 1,050,843	$ (81,613)	$ 969,230
Expenses:						
Program Services	$ 984,365	$ -	$ 984,365	$ 940,224	$ -	$ 940,224
Fundraising	70,847	-	70,847	69,067	-	69,067
Administration	36,960	-	36,960	42,429	-	42,429
Total Expenses	$ 1,092,172	$ -	$ 1,092,172	$ 1,051,720	$ -	$ 1,051,720
Change in Net Assets	$ 6,517	$ (4,204)	$ 2,313	$ (877)	$ (81,613)	$ (82,490)
Net Assets at Beginning of Period	376,130	177,227	553,357	377,007	258,840	635,847
Net Assets at End of Period	$ 382,647	$ 173,023	$ 555,670	$ 376,130	$ 177,227	$ 553,357

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Supporting Services				Supporting Services			
	Management and General	Fundraising	Program Services	Total	Management and General	Fundraising	Program Services	Total
Expenses:								
Salaries	$ 20,120	$ 45,705	$ 556,114	$ 621,939	$ 24,356	$ 44,494	$ 514,325	$ 583,175
Fringe Benefits and Payroll Taxes	4,291	9,661	118,116	132,068	4,958	8,993	103,806	117,757
Consultants and Contracted Services	5,759	-	120,629	126,388	6,500	-	156,389	162,889
Travel	-	4,138	28,795	32,933	304	2,763	13,379	16,446
Meetings and Conferences	1,626	-	17,543	19,169	531	1,807	24,725	27,063
Printing and Copying	-	-	434	434	-	9	-	9
Professional Fees	2,289	5,027	65,209	72,525	2,802	5,050	61,452	69,304
Office Supplies and Expense	167	406	5,297	5,870	111	205	2,880	3,196
Postage and Shipping	4	101	225	330	8	68	167	243
Telephone and Internet	574	1,328	18,011	19,913	732	1,325	16,492	18,549
Website	-	-	3,115	3,115	-	-	-	-
Dues, Subscriptions and Publications	26	556	1,880	2,462	-	498	1,801	2,299
Equipment Rental and Maintenance	28	48	608	684	53	95	1,041	1,189
Rent	1,313	2,920	35,513	39,746	1,549	2,811	32,780	37,140
Insurance	295	648	7,743	8,686	376	678	7,789	8,843
Depreciation	105	239	2,892	3,236	132	238	2,776	3,146
Loss on Disposal of Fixed Assets	331	-	-	331	-	-	-	-
Other Expense	-	-	720	720	-	-	-	-
Bank Service Charges and Fees	32	70	1,521	1,623	17	33	422	472
Total Expenses	$ 36,960	$ 70,847	$ 984,365	$ 1,092,172	$ 42,429	$ 69,067	$ 940,224	$ 1,051,720

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Year Ended December 31, 2013	Year Ended December 31, 2012
Change in Net Assets	$ 2,313	$ (82,490)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided by/(Used) in Operating Activities:		
Depreciation Expense	3,236	3,146
Loss on Disposal of Fixed Assets	331	-
Accounts Receivable - (Increase)/Decrease	(69,095)	(2,653)
Promises Receivable - (Increase)/Decrease	(86,406)	292,754
Prepaid Expenses - (Increase)/Decrease	1,024	(1,007)
Accounts Payable - Increase/(Decrease)	(7,906)	(5,342)
Accrued Vacation - Increase/(Decrease)	9,269	7,745
Deferred Revenue - Increase/(Decrease)	610	(509)
Deferred Rent Abatement - Increase/(Decrease)	(1,146)	(1,046)
Net Cash Flows Provided by/(Used) in Operating Activities	$ (147,770)	$ 210,598
Investing Activities		
Acquisition of Office Equipment and Furniture	$ (1,377)	$ (2,397)
Net Cash Flows Provided by/(Used) in Investing Activities	$ (1,377)	$ (2,397)
Net Increase/(Decrease) in Cash	$ (149,147)	$ 208,201
Cash and Cash Equivalents at Beginning of Period	538,833	330,632
Cash and Cash Equivalents at End of Period	$ 389,686	$ 538,833

Supplemental Disclosures:

a) No interest or income taxes were paid during years ended December 31, 2013 and 2012.

(See Accompanying Notes and Auditor's Report)

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 over 60 authoritative hazard lists;
- 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 toxics;
- 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 coordinated 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*, a 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.

(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 applies. Deferred program revenues at December 31, 2013 and 2012 were $23,558 and $22,948, 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.

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

(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 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, 2013 and 2012 for the following programs:

	December 31, 2013	December 31, 2012
Program Services - Purpose Restricted:		
Pharos Project	$ 146,250	$ 5,000
Health Product Declarations Project	-	80,648
California Wellness Foundation Project	26,773	91,579
Total	$ 173,023	$ 177,227

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

	December 31, 2013	December 31, 2012
Program Services - Purpose Restricted	$ 224,204	$ 203,360
Total	$ 224,204	$ 203,360

(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, 2013 and 2012.

(f) Donated Services:

Donated legal, consulting and contracted services of $54,654 and $47,293 were recognized in the financial statements for the years ended December 31, 2013 and 2012, 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. HBN currently offers subscriptions to the Pharos Project system for an individual annual fee of $180.

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.

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

(g) Basic Programs: (Continued)

HBN conducts research and provides the resulting data inputs into the Pharos Building Product Library. The long-term goal of this project is to establish the Pharos tool as a standard health measure within the emerging standards for green building specifications.

HBN led the initiative to convene a group of sustainability leaders in the building industry and develop the Health Product Declaration Open Standard (HPD). The HPD is the first voluntary format created to disclose product content and related health concerns, typically not reported by manufacturers even when a product, or a building, is certified "green."

In November 2013 HBN released the HPD Builder in collaboration with the Health Product Declaration Collaborative, an independent non-profit organization started by HBN in 2012 to advance and maintain the Health Product Declaration Open Standard. The HPD Builder makes it easier for manufacturers to create Health Product Declarations by drawing chemical hazard information from the Pharos Chemical and Materials library.

HBN publishes a free, monthly, online newsletter, *Healthy Building News*, which provides commentary and analysis of trends in the green building community and market. And finally, HBN shares its research findings and analysis in the Pharos Project blog, *The Signal*.

(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 $70,847 and $69,067 were incurred for the purposes of fundraising during the years ended December 31, 2013 and 2012, 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, 2013, 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, 2013, the statute of limitations for tax years 2010 through 2012 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, 2013, 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.

(3) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of December 31, 2013 and 2012 totaled $389,686 and $538,833, respectively, and consisted of the following:

	December 31, 2013	December 31, 2012
Checking Account - Interest Bearing	$ 151,328	$ 281,690
Money Market Accounts	238,358	257,143
Total	$ 389,686	$ 538,833

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, 2013 and 2012.

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. Management believes the risk related to these excess amounts is minimal.

(4) ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable:

Accounts receivable as presented are considered fully collectible by management. Balances at December 31, 2013 and 2012 consisted of the following:

	December 31, 2013	December 31, 2012
Contracts and Program Fees	$ 78,467	$ 9,372
Total	$ 78,467	$ 9,372

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, 2013 and 2012. 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.

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, 2013 and 2012 consisted of the following:

	December 31, 2013	December 31, 2012
Unrestricted	$ 167,451	$ 6,045
Purpose Restricted	-	75,000
Total Promises Receivable	$ 167,451	$ 81,045

For the years ended December 31, 2013 and 2012, respectively, all promises receivable were due to be received in one year or less, therefore none of the 2013 or 2012 balances have been discounted.

(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.

(5) FIXED ASSETS: (Continued)

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, 2013 and 2012 were $3,236 and $3,146, 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, 2013:

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

December 31, 2012:

	Cost	Accumulated Depreciation	Net Book Value	
Office Furniture and Equipment	$ 13,868	$ 8,344	$ 5,524	3-7 years
Total Fixed Assets	$ 13,868	$ 8,344	$ 5,524	

(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, 2013 and 2012.

(7) OPERATING LEASES:

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

Washington, DC:

The Organization entered into a lease agreement for the rental of office space located in Washington DC (the organization's main office) for 63 months commencing on December 8, 2009 and is scheduled to expire on February 28, 2015. This lease contains a three (3) month rent abatement period. This rent abatement is further disclosed in Note 9. 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. The future commitment related to this lease is disclosed in Note 8.

(7) OPERATING LEASES: (Continued)

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 2013 and 2012 was $275 per month.

Rental expense for the years ended December 31, 2013 and 2012 was $39,746 and $37,140, respectively.

(8) COMMITMENTS:

The Organization entered into a lease agreement on December 8, 2009, for the rental of office space located at 2001 S Street NW, Washington DC. The lease term commenced on December 8, 2009 and expires on February 28, 2015. Monthly rent payments of $1,931 began on March 8, 2010 after a three-month abatement period. As a requirement of this lease, a security deposit in the amount of $3,780 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. Rental expense related to this lease for the years ended December 31, 2013 and 2012 was $24,474 and $24,144, respectively. Future minimum payments are as follows:

Year Ending December 31	
2014	$ 25,480
2015	4,264
Total	$ 29,744

(9) 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 on December 8, 2009 and expiring on February 28, 2015. As a condition of the lease terms, the first three months of rent have been abated. Accordingly, $3,177 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, 2013. The unamortized deferred rent abatement was $4,323 as of December 31, 2012.

(9) DEFERRED RENT ABATEMENT: (Continued)

The balance of the deferred rent abatement is scheduled to change over the life of the lease as follows:

Year Ending December 31	
2014	$ (2,781)
2015	(396)
Total	$ (3,177)

(10) EMPLOYEE BENEFITS:

Fringe Benefits:

The fringe benefits for the years ended December 31, 2013 and 2012 consisted of the following:

	December 31, 2013	December 31, 2012
Social Security	$ 48,048	$ 44,929
Medical Insurance	78,480	67,308
Unemployment	2,872	3,278
Workers Compensation	2,668	2,242
Total	$ 132,068	$ 117,757

(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 were derived from foundation grants and contributions.

(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. 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 $83,653 during the year ended December 31, 2013, and $79,641 during the year ended December 31, 2012.

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 year ended December 31, 2013, the Organization earned $41,667 in contract revenues from HPDC. As of December 31, 2013, the Organization had a receivable of $1,667 from HPDC.

(12) RELATED PARTY TRANSACTIONS: (Continued)

Various board members of The Organization and an affiliated foundation gave contributions to the Organization totaling $19,585 during the year ended December 31, 2013.

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.

(13) SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 7, 2014, the date the financial statements were available to be issued.

(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, 2013 and 2012. Therefore, the accompanying financial statements reflect only the activity and net assets of the Healthy Building Network.