HEALTHY BUILDING NETWORK

WASHINGTON, DC

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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INDEX

Kendall, Prebola and Jones
Certified Public Accountants

The Board of Directors
Healthy Building Network
2001 S Street, NW, Suite 570
Washington, DC 20009

Ladies and Gentlemen:

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of the Healthy Building Network (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
February 17, 2012

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	December 31, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 330,632	$ 365,414
Accounts Receivable	6,719	2,568
Promises Receivable	373,799	5,310
Prepaid Expenses	10,236	8,584
Total Current Assets	$ 721,386	$ 381,876
Fixed Assets:		
Office Equipment and Furniture	$ 11,471	$ 7,522
Less: Accumulated Depreciation	(5,198)	(6,238)
Total Fixed Assets	$ 6,273	$ 1,284
Other Assets:		
Security Deposits	$ 4,280	$ 4,280
TOTAL ASSETS	$ 731,939	$ 387,440
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 36,598	$ 35,333
Accrued Vacation	30,668	22,720
Deferred Subscription Revenue	23,457	-
Deferred Rent Abatement	5,369	5,824
Total Liabilities	$ 96,092	$ 63,877
Net Assets:		
Unrestricted	$ 377,007	$ 273,562
Temporarily Restricted	258,840	50,001
Total Net Assets	$ 635,847	$ 323,563
TOTAL LIABILITIES AND NET ASSETS	$ 731,939	$ 387,440

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	Year Ended December 31, 2011			Year Ended December 31, 2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:						
Grants and Contributions	$ 735,296	$ 473,252	$ 1,208,548	$ 549,032	$ 40,000	$ 589,032
Contract Revenue	12,661	-	12,661	22,579	-	22,579
Program Fees	31,275	-	31,275	10,370	-	10,370
Interest	3,155	-	3,155	4,736	-	4,736
Donated Services	111,428	-	111,428	82,067	-	82,067
Net Assets Released from Restriction – Satisfaction of Program Restrictions	264,413	(264,413)	-	290,415	(290,415)	-
Total Revenues, Gains and Other Support	$ 1,158,228	$ 208,839	$ 1,367,067	$ 959,199	$ (250,415)	$ 708,784
Expenses:						
Program Services	$ 958,734	$ -	$ 958,734	$ 864,275	$ -	$ 864,275
Fundraising	61,641	-	61,641	73,072	-	73,072
Administration	34,408	-	34,408	24,307	-	24,307
Total Expenses	$ 1,054,783	$ -	$ 1,054,783	$ 961,654	$ -	$ 961,654
Change in Net Assets	$ 103,445	$ 208,839	$ 312,284	$ (2,455)	$ (250,415)	$ (252,870)
Net Assets at Beginning of Period	273,562	50,001	323,563	276,017	300,416	576,433
Net Assets at End of Period	$ 377,007	$ 258,840	$ 635,847	$ 273,562	$ 50,001	$ 323,563

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Year Ended December 31, 2011				Year Ended December 31, 2010			
	Supporting Services				Supporting Services			
	Management and General	Fundraising	Program Services	Total	Management and General	Fundraising	Program Services	Total
Expenses:								
Salaries	$ 23,030	$ 39,479	$ 455,234	$ 517,743	$ 15,428	$ 45,866	$ 442,766	$ 504,060
Fringe Benefits and Payroll Taxes	4,558	7,853	89,701	102,112	2,855	8,590	82,379	93,824
Website	-	-	-	-	-	-	95	95
Consultants and Contracted Services	-	-	232,775	232,775	-	49	102,975	103,024
Travel	-	589	15,213	15,802	-	2,880	1,005	3,885
Meetings and Conferences	919	399	37,864	39,182	1,657	-	39,136	40,793
Printing and Copying	-	1,606	832	2,438	44	1,579	1,424	3,047
Professional Fees	2,769	4,834	60,442	68,045	2,271	6,718	131,476	140,465
Office Supplies and Expense	215	331	5,037	5,583	137	402	4,522	5,061
Postage and Shipping	7	951	266	1,224	9	829	558	1,396
Telephone and Internet	712	1,224	16,000	17,936	512	1,497	15,092	17,101
Dues, Subscriptions and Publications	-	598	1,336	1,934	-	498	2,630	3,128
Equipment Rental and Maintenance	61	104	1,113	1,278	16	53	519	588
Utilities	-	-	-	-	-	-	-	-
Rent	1,648	2,834	32,578	37,060	1,052	3,146	30,251	34,449
Insurance	355	621	6,976	7,952	260	769	7,440	8,469
Depreciation	86	134	1,866	2,086	48	142	1,369	1,559
Bank Service Charges and Fees	48	84	1,501	1,633	18	54	638	710
Total Expenses	$ 34,408	$ 61,641	$ 958,734	$ 1,054,783	$ 24,307	$ 73,072	$ 864,275	$ 961,654

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Year Ended December 31, 2011	Year Ended December 31, 2010
Change in Net Assets	$ 312,284	$ (252,870)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided by/(Used) in Operating Activities:		
Depreciation Expense	2,086	1,559
Accounts Receivable - (Increase)/Decrease	(4,151)	22,052
Promises Receivable - (Increase)/Decrease	(368,489)	197,765
Prepaid Expenses - (Increase)/Decrease	(1,652)	2,384
Security Deposit - (Increase)/Decrease	-	3,472
Accounts Payable - Increase/(Decrease)	1,265	10,681
Accrued Vacation - Increase/(Decrease)	7,948	(1,412)
Deferred Subscription Revenue - Increase/(Decrease)	23,457	-
Deferred Rent Abatement - Increase/(Decrease)	(455)	4,400
Net Cash Flows Provided by/(Used) in Operating Activities	$ (27,707)	$ (11,969)
Investing Activities		
Acquisition of Office Equipment and Furniture	$ (7,075)	$ (1,000)
Net Cash Flows Provided by/(Used) in Investing Activities	$ (7,075)	$ (1,000)
Net (Decrease) in Cash	$ (34,782)	$ (12,969)
Cash and Cash Equivalents at Beginning of Period	365,414	378,383
Cash and Cash Equivalents at End of Period	$ 330,632	$ 365,414

Supplemental Disclosures:

a) No interest or income taxes were paid during years ended December 31, 2011 and 2010.

(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. On April 1, 2008 HBN began operating independently from ILSR. At that time, ILSR contributed funds in the amount of $350,120 to HBN which was the balance of HBN's funds at the separation date. ILSR also contributed fixed assets in the amount of $5,722 to HBN.

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. This transformation could decrease and even reverse the profound negative impacts of the building industry on the environment, human health and society.

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 22,000 chemicals and materials against 27 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 co-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 Materials Research Collaborative (MRC) in November 2010 with BuildingGreen, Inc. to establish healthfulness as an imperative of building product evaluation criteria, and to focus the industry on the true scope of requirements necessary to provide a transparent, independent verification source for manufacturer product claims;
- 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;"
- 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Healthy Building Network 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 Healthy Building Network reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Contract and Subscription Revenue -

Contract revenues are considered to be exchange transactions, and are recognized as the services are completed. Subscription revenue is recognized in the year to which the subscription applies. Deferred subscription revenues at December 31, 2011 were $23,457.

(c) Income Taxes:

The Healthy Building Network 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.

(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 Healthy Building Network 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 Healthy Building Network 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, 2011 and 2010 for the following programs:

	December 31, 2011	December 31, 2010
Program Services - Purpose Restricted:		
Pharos Project	$ 20,000	$ 50,001
Materials Collaborative Project	57,500	-
California Wellness Foundation Project	181,340	-
Total	$ 258,840	$ 50,001

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, 2011	December 31, 2010
Program Services - Time Restricted	$ -	$ 150,000
Program Services - Purpose Restricted	264,413	140,415
Total	$ 264,413	$ 290,415

(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 Healthy Building Network. 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 Healthy Building Network did not have any permanently restricted net assets as of December 31, 2011 and 2010.

(f) Donated Services:

Donated legal, consulting and contracted services of $111,428 and $82,067 were recognized in the financial statements for the years ended December 31, 2011 and 2010, 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 30 authoritative governmental and non-governmental lists.

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.

In November 2010, HBN launched the Materials Research Collaborative (MRC) in collaboration with BuildingGreen, Inc. 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. The primary responsibility of the MRC is to conduct research and provide 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.

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

(g) Basic Programs: (Continued)

In July 2011, HBN led the MRC 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." Fifty organizations have endorsed the HPD, representing architecture and design firms, building owners and developers, construction firms, workflow management software developers, and non-profit groups.

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 $61,641 and $73,072 were incurred for the purposes of fundraising during the years ended December 31, 2011 and 2010, respectively.

(2) NEW ACCOUNTING PRONOUNCEMENTS AND POLICIES:

(a) ASC 105-10 the Hierarchy of Generally Accepted Accounting Principles

Effective for reporting periods ending after September 15, 2009, the FASB Accounting Standards Codification (Codification) became the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP), superseding existing Financial Accounting Standards Board, American Institute of Certified Public Accountants, Emerging Issues Task Force standards, pronouncements, interpretations and related literature. Pursuant to the Codification, only one level of authoritative GAAP now exists, excluding the guidance issued by the Securities and Exchange Commission (SEC). The Codification did not change GAAP; instead, it introduced a new structure. The Codification reorganized the thousands of U.S. GAAP pronouncements into accounting topics displaying all topics using a consistent structure. Accordingly, the Organization is presenting these financial statements and related disclosures in accordance with the Codification.

(2) NEW ACCOUNTING PRONOUNCEMENTS AND POLICIES: (Continued)

(b) 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 Healthy Building Network'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 Healthy Building Network's tax return to determine whether the tax positions have a "more-likely-than-not" probability of being sustained by the applicable tax authority.

Tax positions deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current year. FASB ASC No. 740-10 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Any cumulative effect from the change in accounting principle resulting from the application of FASB ASC No. 740-10 is to be recognized as an adjustment to opening net assets.

The Healthy Building Network 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, 2011 and 2010 totaled $330,632 and $365,414, respectively and consisted of the following:

	December 31, 2011	December 31, 2010
Checking Account - Interest Bearing	$ 260,712	$ 260,896
Money Market Accounts	69,920	104,518
Total	$ 330,632	$ 365,414

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 cash, provided that the stated terms do not restrict the withdrawal of funds and such withdrawals do not have substantial penalties associated with them. The Healthy Building Network did not have any Certificates of Deposit as of December 31, 2011 and 2010.

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, 2011 and 2010 consisted of the following:

	December 31, 2011	December 31, 2010
Contracts and Program Fees	$ 6,719	$ 2,148
Reimbursable Expenses	-	420
Total	$ 6,719	$ 2,568

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, 2011 and 2010.

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, 2011 and 2010 consisted of the following:

	December 31, 2011	December 31, 2010
Unrestricted	$ 155,546	$ 5,310
Purpose Restricted	218,253	-
Total Promises Receivable	$ 373,799	$ 5,310

The above promises receivable are due to be received as follows:

	As of December 31, 2011	As of December 31, 2010
Less Than One Year	$ 300,282	$ 5,310
One to Five Years	73,517	-
Total	$ 373,799	$ 5,310

(4) ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable: (Continued)

Promises receivable have been discounted to the net present value of future cash flows using a discount rate of one-and-one-half percent (1½%) for the years ended December 31, 2011 and 2010 as follows:

	December 31, 2011	December 31, 2010
Gross Promises Receivable	$ 375,546	$ 5,310
Less: Discount	(1,747)	-
Net Present Value of Promises Receivable	$ 373,799	$ 5,310

(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, 2011 and 2010 were $2,086 and $1,559, 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, 2011:

	Cost	Accumulated Depreciation	Net Book Value	
Office Furniture and Equipment	$ 11,471	$ 5,198	$ 6,273	3-7 years
Total Fixed Assets	$ 11,471	$ 5,198	$ 6,273	

December 31, 2010:

	Cost	Accumulated Depreciation	Net Book Value	
Office Furniture and Equipment	$ 7,522	$ 6,238	$ 1,284	3-7 years
Total Fixed Assets	$ 7,522	$ 6,238	$ 1,284	

(6) RETIREMENT PLAN:

Employees of the Healthy Building Network 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, 2011 and 2010.

(7) OPERATING LEASES:

The Healthy Building Network leased space in three locations: Washington, DC, Vermont and Maine.

Washington, DC:

The Healthy Building Network entered into a lease agreement for the rental of office space located in Washington DC (the organization's main office) for 64 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 is $1,931 for the first twelve (12) months of the lease and increases each year thereafter by two-and-a-half percent (2.5%) each year. 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 Healthy Building Network pays is based on the proportioned share of space used. The future commitment related to this lease is disclosed in Note 8.

Vermont:

The amount of the month to month lease was $700 from September 1, 2009 through April 15, 2011. On April 16, 2011, a new lease was entered into at a monthly cost of $790. 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 2011 and 2010 was $275 per month.

Rental expense for the years ended December 31, 2011 and 2010 was $37,060 and $34,449, respectively.

(8) COMMITMENTS:

The Healthy Building Network 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 Healthy Building Network 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, 2011 and 2010 was $23,810 and $23,279, respectively. Future minimum payments are as follows:

Year Ending December 31		
2012	$	24,252
2013		24,858
2014		25,480
2015		4,264
Total	$	78,854

(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 1, 2009 and expiring on February 28, 2015. As a condition of the lease terms, the first three months of rent have been abated. Accordingly, $5,369 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, 2011. The unamortized deferred rent abatement was $5,824 as of December 31, 2010.

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

Year Ending December 31		
2012	$	(1,047)
2013		(1,653)
2014		(2,274)
2015		(395)
Total	$	(5,369)

(10) EMPLOYEE BENEFITS:

Fringe Benefits:

The fringe benefits for the years ended December 31, 2011 and 2010 consisted of the following:

	December 31, 2011	December 31, 2010
Social Security	$ 39,454	$ 39,226
Medical Insurance	58,497	50,395
Unemployment	2,079	1,925
Workers Compensation	2,082	2,278
Total	$ 102,112	$ 93,824

(11) CONCENTRATIONS:

Based on the nature and purpose of the Healthy Building Network, significant revenues are received through parties interested in establishing healthier building practices. In addition, approximately eighty-nine percent (89%) of current year revenues were derived from foundation grants and contributions.

(12) RELATED PARTY TRANSACTIONS:

The Institute for Local Self-Reliance's (ILSR) President is a board member of HBN. The two organizations also share office space that is separately leased from a third party. ILSR 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 $76,478 during the year ended December 31, 2011 and $87,919 during the year ended December 31, 2010.

The Healthy Building Network 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 February 17, 2012, 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 managements 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, 2011 and 2010. Therefore, the accompanying financial statements reflect only the activity and net assets of the Healthy Building Network.