

HEALTHY BUILDING NETWORK

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Healthy Building Network (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, 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

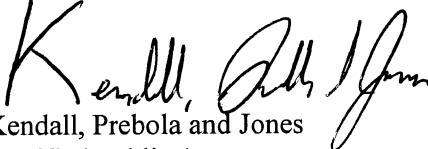
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2017 and 2016, 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.


Kendall, Prebola and Jones
Certified Public Accountants

Bedford Pennsylvania
July 31, 2018

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 671,275	\$ 594,472
Accounts Receivable	26,435	129,643
Promises Receivable	364,546	491,305
Prepaid Expenses	<u>23,718</u>	<u>23,305</u>
Total Current Assets	<u>\$ 1,085,974</u>	<u>\$ 1,238,725</u>
<u>Fixed Assets:</u>		
Office Equipment and Furniture	\$ 26,139	\$ 27,601
Less: Accumulated Depreciation	<u>(20,121)</u>	<u>(16,307)</u>
Total Fixed Assets	<u>\$ 6,018</u>	<u>\$ 11,294</u>
<u>Other Assets:</u>		
Security Deposits	<u>\$ 2,571</u>	<u>\$ 2,900</u>
TOTAL ASSETS	<u>\$ 1,094,563</u>	<u>\$ 1,252,919</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 26,361	\$ 15,986
Accrued Vacation and Salaries	44,360	60,830
Deferred Revenue	187,555	187,819
Deferred Rent Abatement	<u>2,200</u>	<u>2,002</u>
Total Liabilities	<u>\$ 260,476</u>	<u>\$ 266,637</u>
<u>Net Assets:</u>		
Unrestricted	\$ 392,155	\$ 367,949
Temporarily Restricted	<u>441,932</u>	<u>618,333</u>
Total Net Assets	<u>\$ 834,087</u>	<u>\$ 986,282</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,094,563</u>	<u>\$ 1,252,919</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues, Gains and Other Support:</u>						
Grants and Contributions	\$ 317,554	\$ 507,820	\$ 825,374	\$ 240,356	\$ 660,000	\$ 900,356
Contract Revenue and Honoraria	982,840	-	982,840	1,016,606	-	1,016,606
Program Fees	32,481	-	32,481	31,563	-	31,563
Interest	909	-	909	868	-	868
Donated Services	126,576	-	126,576	76,177	-	76,177
Loss on Disposal of Fixed Assets	-	-	-	(996)	-	(996)
Net Assets Released from Restriction - Satisfaction of Program Restrictions	684,221	(684,221)	-	143,257	(143,257)	-
Total Revenues, Gains and Other Support	\$ 2,144,581	\$ (176,401)	\$ 1,968,180	\$ 1,507,831	\$ 516,743	\$ 2,024,574
<u>Expenses:</u>						
Program Services	\$ 1,931,014	\$ -	\$ 1,931,014	\$ 1,618,744	\$ -	\$ 1,618,744
Fundraising	80,717	-	80,717	66,296	-	66,296
Administration	108,644	-	108,644	88,510	-	88,510
Total Expenses	\$ 2,120,375	\$ -	\$ 2,120,375	\$ 1,773,550	\$ -	\$ 1,773,550
Change in Net Assets	\$ 24,206	\$ (176,401)	\$ (152,195)	\$ (265,719)	\$ 516,743	\$ 251,024
Net Assets at Beginning of Period	367,949	618,333	986,282	633,668	101,590	735,258
Net Assets at End of Period	\$ 392,155	\$ 441,932	\$ 834,087	\$ 367,949	\$ 618,333	\$ 986,282

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Year Ended December 31, 2017</u>				<u>Year Ended December 31, 2016</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	\$ 41,090	\$ 51,128	\$ 993,545	\$ 1,085,763	\$ 47,279	\$ 45,972	\$ 976,949	\$ 1,070,200
Fringe Benefits and Payroll Taxes	9,527	11,855	231,433	252,815	10,376	9,847	218,893	239,116
Consultants and Contracted Services	1,308	8,859	419,886	430,053	7,225	-	151,920	159,145
Travel	3,955	2,815	49,205	55,975	4,502	5,001	40,352	49,855
Meetings and Conferences	5,986	1,134	36,740	43,860	3,075	-	47,766	50,841
Printing and Copying	-	-	228	228	-	140	370	510
Professional Fees	43,363	667	104,091	148,121	11,663	626	78,795	91,084
Supplies and Expense	153	201	3,692	4,046	317	303	6,972	7,592
Postage and Shipping	10	42	388	440	8	84	265	357
Telephone and Internet	1,000	1,257	30,351	32,608	1,311	1,264	32,846	35,421
Website	-	-	-	-	-	-	2,033	2,033
Dues, Subscriptions and Publications	63	-	6,551	6,614	129	524	5,977	6,630
Equipment Rental and Maintenance	20	30	435	485	21	17	482	520
Rent	1,595	2,004	37,972	41,571	1,927	1,864	40,051	43,842
Insurance	289	368	8,080	8,737	410	394	8,582	9,386
Depreciation	214	268	5,215	5,697	221	215	4,581	5,017
Other Expense	18	22	493	533	-	-	-	-
Bank Service Charges and Fees	53	67	2,709	2,829	46	45	1,910	2,001
 Total Expenses	 <u>\$ 108,644</u>	 <u>\$ 80,717</u>	 <u>\$ 1,931,014</u>	 <u>\$ 2,120,375</u>	 <u>\$ 88,510</u>	 <u>\$ 66,296</u>	 <u>\$ 1,618,744</u>	 <u>\$ 1,773,550</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ (152,195)	\$ 251,024
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation Expense	5,697	5,017
Loss on Disposal of Fixed Assets	-	996
Accounts Receivable - (Increase)/Decrease	103,208	(51,127)
Promises Receivable - (Increase)/Decrease	126,759	(350,680)
Prepaid Expenses - (Increase)/Decrease	(413)	(1,577)
Security Deposits - (Increase)/Decrease	329	2,400
Accounts Payable - Increase/(Decrease)	10,375	143
Accrued Vacation and Salaries - Increase/(Decrease)	(16,470)	8,324
Deferred Revenue - Increase/(Decrease)	(264)	37,847
Deferred Rent Abatement - Increase/(Decrease)	<u>198</u>	<u>913</u>
Net Cash Flows from Operating Activities	<u>\$ 77,224</u>	<u>\$ (96,720)</u>
<u>Investing Activities:</u>		
Proceeds from Sale of Fixed Assets	\$ 1,080	\$ -
Acquisition of Office Equipment and Furniture	<u>(1,501)</u>	<u>(7,579)</u>
Net Cash Flows from Investing Activities	<u>\$ (421)</u>	<u>\$ (7,579)</u>
Net Increase/(Decrease) in Cash	\$ 76,803	\$ (104,299)
Cash and Cash Equivalents at Beginning of Period	<u>594,472</u>	<u>698,771</u>
Cash and Cash Equivalents at End of Period	<u>\$ 671,275</u>	<u>\$ 594,472</u>

Supplemental Disclosures:

- a) No interest or income taxes were paid during years ended December 31, 2017 and 2016.

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION:

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

HBN is the leading national organization advocating for a reduction in the use of toxic chemicals in building materials. HBN's mission is to advance human and environmental health by improving hazardous chemical transparency and inspiring product innovation.

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

Basic Programs

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

1. Innovative Research

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

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

2. Powerful Data Tools

HBN offers a suite of data tools designed to increase knowledge, promote transparency and inspire product innovation. It is currently difficult to identify healthier building materials because building product ingredients are not typically or reliably disclosed.

HEALTHY BUILDING NETWORK
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION: (Continued)

Basic Programs (Continued)

2. Powerful Data Tools (Continued)

HBN is the healthy building movement's acknowledged leader in advancing the disclosure of the contents and related health hazards in commonly used building products. Our data tools include:

- **Pharos:** The most comprehensive independent database of chemicals, polymers, metals, and other substances - currently at 57,000 records and counting. Using dozens of scientific lists for specific human and environmental health hazards, it aggregates a vast array of information used for analyzing chemicals of concern. The tool also provides a wealth of information on certifications and standards used to measure the health impacts of building materials, including VOC content and emissions, recycled and biobased content, and much more.
- **Data Commons:** The Chemical Hazard Data Commons is a tool to help scientists, researchers, and product innovators identify problematic chemicals and collaborate to find safer alternatives. With an active community forum and an ever-expanding library of substances - built on HBN's powerful Pharos database - the Data Commons is more than just a new way to search for chemical information. It is a shared, dynamic space fostering ideas, dialogue, and a future where products free of chemical hazards are the norm and accessible to everyone.
- **Portico:** A web-based application developed in partnership with Google to simplify the analysis, selection, and specification of building products that meet health and transparency objectives. It connects data with project workflow and has three main functions: project management, product research and product information requests. Users can manage a building project by defining criteria, setting goals and tracking progress. Products are assessed against more than 57,000 chemical hazards sourced from HBN's Pharos database, allowing users to search and compare materials for health and environmental hazard screening and certification information. Lastly, Portico connects manufacturers and their supply chain to their users, providing a direct communications channel to request and provide more detailed information about specific products, streamlining the communications process and saving time and money in the process.

3. Capacity-Building Education

HBN's primary education program is HomeFree, a national initiative supporting affordable housing leaders who are improving human health by using less toxic building materials. HomeFree is comprised of an online resource providing critical information to the affordable housing community, as well as six (6) communities of practice, spotlighting on-the-ground demonstration projects across the country. Through HomeFree, HBN is enabling those who develop, own and operate affordable housing to work at the forefront of healthy building practice by adapting our leading-edge research and decision-making technology to the unique needs and opportunities in this market.

HEALTHY BUILDING NETWORK
NOTES TO FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Organization are summarized below:

(a) Basis of Accounting and Presentation:

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

(b) Revenue Recognition:

Grants and Contributions

The Organization has adopted Statement of Financial Accounting Standards Board ASC No. 958-605-25, *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. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

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 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, 2017 and 2016 were \$187,555 and \$187,819, respectively.

(c) Corporate Taxes:

The Organization is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Accordingly, no income taxes have been provided for in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. The Organization did not have any net unrelated business income during the years ended December 31, 2017 or 2016.

HEALTHY BUILDING NETWORK
NOTES TO FINANCIAL STATEMENTS

(2) 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, *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

Unrestricted net assets are defined as 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

Temporarily restricted net assets are defined as 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, 2017 and 2016 for the following programs:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Program Services - Purpose Restricted:		
Affordable Housing Project	\$ 351,412	\$ 500,000
Pharos Project/Data Commons	75,833	108,333
Subscription Research	14,687	-
Website Design	<u>-</u>	<u>10,000</u>
Total Available	<u>\$ 441,932</u>	<u>\$ 618,333</u>

HEALTHY BUILDING NETWORK
NOTES TO FINANCIAL STATEMENTS

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

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets (Continued)

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Program Services - Purpose Restricted:		
Affordable Housing Project	\$ 425,408	\$ -
Pharos Project/Data Commons	142,500	91,667
Business Planning Project	85,000	-
Subscription Research	21,313	-
Website	10,000	-
Avoided Hazard Index Project	<u>-</u>	<u>51,590</u>
Total Released	<u>\$ 684,221</u>	<u>\$ 143,257</u>

Permanently Restricted Net Assets

Permanently restricted net assets are defined as 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, 2017 and 2016.

(f) Donated Services and Materials:

Donated legal and consulting services and supplies of \$126,576 and \$76,177 were recognized in the financial statements for the years ended December 31, 2017 and 2016, 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) 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.

HEALTHY BUILDING NETWORK
NOTES TO FINANCIAL STATEMENTS

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

(h) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses at the date of the financial statements. Accordingly, actual results could differ from these estimates.

(i) Fair Value of Certain Financial Instruments:

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

(3) ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Healthy Building Network performed an evaluation of uncertain tax positions for the year ended December 31, 2017, 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, 2017, the statute of limitations for tax years 2014 through 2016 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, 2017, the Organization had no accruals for interest and/or penalties.

(4) CASH AND CASH EQUIVALENTS:

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Checking Account - Interest Bearing	\$ 336,321	\$ 178,705
Money Market Accounts	<u>334,954</u>	<u>415,767</u>
Total	<u>\$ 671,275</u>	<u>\$ 594,472</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.

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.

HEALTHY BUILDING NETWORK
NOTES TO FINANCIAL STATEMENTS

(5) ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

Accounts receivable as presented are considered fully collectible by management. Balances at December 31, 2017 and 2016 consisted of the following:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Contracts and Program Fees	\$ 26,435	\$ 129,643
Total Account Receivable	\$ 26,435	\$ 129,643

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, 2017 and 2016. 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, 2017 and 2016 consisted of the following:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unrestricted	\$ 14,546	\$ 16,305
Purpose Restricted	<u>350,000</u>	<u>475,000</u>
Total Promises Receivable	\$ 364,546	\$ 491,305

For the years ended December 31, 2017 and 2016, respectively, all promises receivable were due to be received in one year or less.

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

HEALTHY BUILDING NETWORK
NOTES TO FINANCIAL STATEMENTS

(6) 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, 2017 and 2016 was \$5,697 and \$5,017, 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, 2017:

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

December 31, 2016:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
Office Furniture and Equipment	\$ 27,601	\$ 16,307	\$ 11,294	3-7 years
Total Fixed Assets	<u>\$ 27,601</u>	<u>\$ 16,307</u>	<u>\$ 11,294</u>	

(7) RETIREMENT PLAN:

Employees of the Organization are covered under an optional contributory retirement plan that covers substantially all employees. The Organization does not provide employer matching contributions. There is no unfunded past service liability. Therefore, there was no expense for the years ended December 31, 2017 and 2016.

(8) OPERATING LEASES AND COMMITMENTS:

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

Washington, DC - Connecticut Avenue

The Organization entered into a lease agreement on December 18, 2014, for the rental of office space located at 1710 Connecticut Avenue NW, Washington DC. The lease term began on April 1, 2015, and is scheduled to expire on March 31, 2020. The monthly rent payments in year 1 were \$2,400 with payments beginning on April 1, 2015. The monthly rent increases each year during the lease to a monthly amount of \$2,853 in the fifth and final year of the lease.

HEALTHY BUILDING NETWORK
NOTES TO FINANCIAL STATEMENTS

(8) OPERATING LEASES AND COMMITMENTS: (Continued)

Washington, DC - Connecticut Avenue (Continued)

As a requirement of this lease, a security deposit in the amount of \$2,400 was made. This lease was entered into jointly with the Institute for Local Self-Reliance. These payment amounts represent the Healthy Building Network's share of the lease. The Organization is obligated to pay a portion of the annual increase in operating cost of the leased property. An estimate of the annual increase in operating cost has not been included in the following table. Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes scheduled rent increases, be recorded on a straight-line basis over the term of the lease. Accordingly, \$2,200 of future rent payments have been recorded as a current liability to adjust the actual rent paid to conform to the straight-line basis. The rental expense related to this lease for the years ended December 31, 2017 and 2016 was \$30,433 and \$29,941, respectively. As of December 31, 2017, 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>
2018	\$ 29,520	\$ 535	\$ 30,055
2019	29,520	1,287	30,807
2020	<u>7,371</u>	<u>378</u>	<u>7,749</u>
Total	<u>\$ 66,411</u>	<u>\$ 2,200</u>	<u>\$ 68,611</u>

Total rental expense for the years ended December 31, 2017 and 2016 was \$41,571 and \$43,842, respectively.

(9) EMPLOYEE BENEFITS:

Fringe Benefits and Payroll Taxes

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Social Security	\$ 84,654	\$ 81,679
Medical Insurance	156,762	147,985
Unemployment	5,830	5,662
Workers Compensation	<u>5,569</u>	<u>3,790</u>
Total	<u>\$ 252,815</u>	<u>\$ 239,116</u>

HEALTHY BUILDING NETWORK
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(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-three percent (53%) of current year revenues, excluding donated services, were derived from contract revenues.

(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. HBN pays the third party and ILSR reimburses HBN for their share of the rent. ILSR reimbursed HBN \$51,229 during the 2017 year.

The Founder and President of the Organization is a Board Member of the Health Product Declaration Collaborative (HPDC). One other board member of the Organization is also a Board Member of the Health Product Declaration Collaborative. The Organization entered into a Technology License and Services agreement with HPDC to advance and maintain the Health Product Declaration (HPD), an impartial tool for accurate reporting of product contents and related health concerns. For the years ended December 31, 2017 and 2016, respectively, the Organization earned \$50,983 and \$43,902 in contract revenues from HPDC. As of December 31, 2017 and 2016, respectively, the Organization had a receivable of \$9,250 and \$7,233 from HPDC. Other organizations with which Board Members are affiliated provided contract revenues in the amount of \$60,000 and \$192,795, respectively, to HBN during the 2017 and 2016 years. In addition, HBN paid HPDC's Executive Director \$8,425 in consulting fees for the year ended December 31, 2016.

Various Board Members and their affiliated organizations gave contributions to the Healthy Building Network totaling \$15,965 and \$14,490 during the years ended December 31, 2017 and 2016, respectively. A Board Member's firm also provided contributed legal services in the amount of \$126,576 and \$76,177, respectively, during the years ended December 31, 2017 and 2016.

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

(12) FUNDRAISING:

Expenses in the amount of \$80,717 and \$66,296 were incurred for the purposes of fundraising during the years ended December 31, 2017 and 2016, respectively.

(13) SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through July 31, 2018, 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.

HEALTHY BUILDING NETWORK
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(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, *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, 2017 and 2016. Therefore, the accompanying financial statements reflect only the activity and net assets of the Healthy Building Network.