HEALTHY BUILDING NETWORK

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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I N D E X

Board of Directors
Healthy Building Network
4911 7th Street, NW
Washington, DC 20011

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, 2019 and 2018, 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, 2019 and 2018, 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
June 25, 2020

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	December 31, 2019	December 31, 2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,148,742	$ 933,926
Accounts Receivable	64,731	29,989
Promises Receivable	530,269	631,080
Prepaid Expenses	14,581	26,546
Total Current Assets	$ 1,758,323	$ 1,621,541
Fixed Assets:		
Office Equipment and Furniture	$ 29,683	$ 30,589
Less: Accumulated Depreciation	(14,473)	(22,112)
Chemical Hazard Assessments	29,700	-
Less: Accumulated Amortization	(2,474)	-
Websites	148,802	14,755
Less: Accumulated Amortization	(13,134)	(1,998)
Total Fixed Assets	$ 178,104	$ 21,234
Other Assets:		
Security Deposits	$ 2,400	$ 2,571
Total Other Assets	$ 2,400	$ 2,571
TOTAL ASSETS	$ 1,938,827	$ 1,645,346
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 47,892	$ 41,791
Accrued Vacation and Salaries	67,037	53,126
Deferred Revenue	447,573	372,432
Deferred Rent Abatement	378	1,665
Total Liabilities	$ 562,880	$ 469,014
Net Assets:		
Without Donor Restrictions	$ 460,638	$ 347,438
With Donor Restrictions	915,309	828,894
Total Net Assets	$ 1,375,947	$ 1,176,332
TOTAL LIABILITIES AND NET ASSETS	$ 1,938,827	$ 1,645,346

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:						
Grants and Contributions	$ 416,889	$ 1,074,932	$ 1,491,821	$ 376,129	$ 1,180,130	$ 1,556,259
Contract Revenue and Honoraria	1,289,508	-	1,289,508	826,454	-	826,454
Program Fees	26,402	-	26,402	29,428	-	29,428
Interest	6,840	-	6,840	1,123	-	1,123
Donated Services	10,000	-	10,000	20,000	-	20,000
Foreign Exchange Loss	(20,257)	-	(20,257)	(5,870)	-	(5,870)
Net Assets Released from Restriction - Satisfaction of Program Restrictions	988,517	(988,517)	-	793,168	(793,168)	-
Total Revenues, Gains and Other Support	$ 2,717,899	$ 86,415	$ 2,804,314	$ 2,040,432	$ 386,962	$ 2,427,394
Expenses:						
Program Services	$ 2,297,994	$ -	$ 2,297,994	$ 1,900,548	$ -	$ 1,900,548
Fundraising	89,880	-	89,880	77,839	-	77,839
Administration	216,825	-	216,825	106,762	-	106,762
Total Expenses	$ 2,604,699	$ -	$ 2,604,699	$ 2,085,149	$ -	$ 2,085,149
Change in Net Assets	$ 113,200	$ 86,415	$ 199,615	$ (44,717)	$ 386,962	$ 342,245
Net Assets at Beginning of Period	347,438	828,894	1,176,332	392,155	441,932	834,087
Net Assets at End of Period	$ 460,638	$ 915,309	$ 1,375,947	$ 347,438	$ 828,894	$ 1,176,332

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	Supporting Services				Supporting Services			
	Administration	Fundraising	Program Services	Total	Administration	Fundraising	Program Services	Total
Expenses:								
Salaries	$ 90,365	$ 62,765	$ 1,423,486	$ 1,576,616	$ 38,650	$ 48,780	$ 1,127,877	$ 1,215,307
Fringe Benefits and Payroll Taxes	19,840	13,720	275,887	309,447	9,323	11,465	270,405	291,193
Consultants and Contracted Services	41,508	410	326,921	368,839	34,808	10,384	300,326	345,518
Travel	4,833	5,060	70,671	80,564	815	2,211	36,628	39,654
Meetings and Conferences	12,226	664	30,217	43,107	8,599	-	41,758	50,357
Printing and Copying	48	148	786	982	88	106	2,822	3,016
Professional Fees	33,414	1,055	71,850	106,319	1,903	672	38,750	41,325
Supplies and Expense	715	162	4,076	4,953	613	122	3,671	4,406
Postage and Shipping	16	254	252	522	13	37	624	674
Telephone and Internet	1,714	1,188	32,114	35,016	914	1,096	31,529	33,539
Dues, Subscriptions and Publications	184	1,980	3,554	5,718	665	1,161	4,470	6,296
Equipment Rental and Maintenance	135	92	1,746	1,973	66	45	1,665	1,776
Rent	2,420	1,672	33,908	38,000	1,106	1,363	31,520	33,989
Insurance	8,667	-	1,952	10,619	8,961	-	318	9,279
Depreciation	678	467	18,825	19,970	213	265	5,951	6,429
Bank Service Charges and Fees	62	243	1,749	2,054	25	132	2,234	2,391
Total Expenses	$ 216,825	$ 89,880	$ 2,297,994	$ 2,604,699	$ 106,762	$ 77,839	$ 1,900,548	$ 2,085,149

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31, 2019	December 31, 2018
Cash Flows from Operating Activities:		
Change in Net Assets	$ 199,615	$ 342,245
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization Expense	19,970	6,429
Foreign Exchange Loss	-	5,870
Accounts Receivable - (Increase)/Decrease	(34,742)	(3,554)
Promises Receivable - (Increase)/Decrease	100,811	(272,404)
Prepaid Expenses - (Increase)/Decrease	11,965	(2,828)
Security Deposits - (Increase)/Decrease	171	-
Accounts Payable - Increase/(Decrease)	6,101	15,430
Accrued Vacation and Salaries - Increase/(Decrease)	13,911	8,766
Deferred Revenue - Increase/(Decrease)	75,141	184,877
Deferred Rent Abatement - Increase/(Decrease)	(1,287)	(535)
Net Cash Flows from Operating Activities	$ 391,656	$ 284,296
Investing Activities:		
Proceeds from Sale of Fixed Assets	$ 196	$ 1,011
Acquisition of Fixed Assets	(177,036)	(22,656)
Net Cash Flows from Investing Activities	$ (176,840)	$ (21,645)
Net Increase in Cash	$ 214,816	$ 262,651
Cash and Cash Equivalents at Beginning of Period	933,926	671,275
Cash and Cash Equivalents at End of Period	$ 1,148,742	$ 933,926

Supplemental Disclosures:

a) No interest or income taxes were paid during years ended December 31, 2019 and 2018.

(See Accompanying Notes and Auditor's Report)

(1) ORGANIZATION:

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

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

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

Basic Programs

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

1. **Innovative Research**

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

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

(1) ORGANIZATION: (Continued)

Basic Programs (Continued)

2. Powerful Data Tools

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

- Pharos: The most comprehensive independent database of chemicals, polymers, metals, and other substances - currently over 163,000 records and growing. 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.

- ChemFORWARD: Fiscally sponsored by HBN, the program's mission is to be the most-trusted source for actionable chemical hazard information that empowers suppliers, manufacturers and brands to create products that are safe for people and the environment. The mission will be realized by collaborating with the value chain to provide cost-efficient access to verified, actionable chemical hazard information and thereby enable better chemistry in product design and manufacturing. In the landscape of material-health and safer chemistry initiatives, ChemFORWARD supports organizations developing chemical guidelines (retailers, brands, NGOs, certifiers) that provide trusted evidence-base safer products.

3. Capacity-Building Education

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Organization are summarized below:

(a) Basis of Accounting and Presentation:

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

(b) Revenue Recognition:

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management’s judgement, including such factors as prior collection history and type of contribution.

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

Contract and Program Revenue

Contract revenues are considered to be exchange transactions, and are recognized as the services are completed. Program fees consist of subscription revenues to the Pharos online educational database and program fees for training sessions provided in relation to disseminating healthy building materials information. Program revenue is recognized in the year to which the revenue is earned. Deferred program revenues at December 31, 2019 and 2018 were $447,573 and $372,432, respectively.

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

(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, 2019 or 2018.

(d) Net Assets:

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

Net Assets without Donor Restrictions

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

Net Assets with Donor Restrictions

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

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

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

(d) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions were available at December 31, 2019 and 2018 for the following programs:

	December 31, 2019	December 31, 2018
Program Services - Purpose Restricted:		
ChemFORWARD	$ 447,309	$ 458,420
Affordable Housing Project	375,000	250,000
Pharos Project/Data Commons	-	120,474
Subtotal - Purpose Restricted	$ 822,309	$ 828,894
Time Restricted	93,000	-
Total Net Assets with Donor Restrictions	$ 915,309	$ 828,894

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

	December 31, 2019	December 31, 2018
Program Services - Purpose Restricted:		
ChemFORWARD	$ 423,043	$ 141,710
Affordable Housing Project	375,000	476,412
Pharos Project/Data Commons	170,474	130,359
Communications	20,000	-
Subscription Research	-	44,687
Total Net Assets Released from Restrictions	$ 988,517	$ 793,168

(e) Donated Services:

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made,* if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. Donated legal services of $10,000 and $20,000, were recognized in the financial statements for the years ended December 31, 2019 and 2018, respectively.

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

(f) Functional Expense Allocation Policies and Procedures:

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

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

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.

(g) 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 amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) 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.

(i) Change in Accounting Principles:

The Organization implemented Financial Accounting Standard Board (FASB) ASU No. 2018-18 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" in the current year, applying the changes retrospectively.

ASU 2018-08 was issued to clarify and improve the guidance for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional. This standard amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of release from the obligation stipulating the donor has the right to be released from its obligation to transfer assets or to reduce, settle, or cancel liabilities.

The changes had no effect on net assets at January 1, 2019.

(3) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

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

The Organization has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	December 31, 2019	December 31, 2018
Financial Assets at year end:		
Cash and Cash Equivalents	$ 1,148,742	$ 933,926
Accounts and Promises Receivable	595,000	661,069
Total Financial Assets	$ 1,743,742	$ 1,594,995
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Donor-Imposed Restrictions - Purpose	$ -	$ 128,425
Financial Assets Available to Meet General Expenditures Over the Next Twelve	$ 1,743,742	$ 1,466,570

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments, including money market funds.

(4) ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Healthy Building Network performed an evaluation of uncertain tax positions for the year ended December 31, 2019, 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, 2019, the statute of limitations for tax years 2016 through 2018 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, 2019, the Organization had no accruals for interest and/or penalties.

(5) CASH AND CASH EQUIVALENTS:

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

	December 31, 2019	December 31, 2018
Checking Account - Interest Bearing	$ 250,799	$ 250,063
Checking Account - Non-Interest Bearing	114,485	23,036
Savings Accounts	251,570	5
Money Market Accounts	531,888	660,822
Total	$ 1,148,742	$ 933,926

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.

The Organization maintains its deposits in five financial institutions in the form of business checking accounts, savings accounts and money market accounts. The non-interest-bearing checking account, savings account and money market accounts are covered under the Federal Deposit Insurance Corporation (FDIC) program. Federal Deposit Insurance Corporation (FDIC) insurance coverage is $250,000 per banking institution. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total insured up to $250,000. The interest-bearing checking account and a portion of the savings account are covered under the National Credit Union Administration (NCUA) program. General National Credit Union Administration (NCUA) Insurance coverage is $250,000.

As of December 31, 2019 and 2018, $6,259 and $401, respectively, of the bank balances were deposited in excess of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) program limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Organization has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

(6) ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

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

	December 31, 2019	December 31, 2018
Contracts and Program Fees	$ 63,780	$ 24,877
Reimbursable Expenses	951	5,112
Total Accounts Receivable	$ 64,731	$ 29,989

(6) ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Accounts Receivable (Continued)

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, 2019 and 2018. Management believes the risk related to these balances is minimal.

Contracts and other receivables are recognized as revenue on the accrual basis of accounting at the time that the program activity has occurred. Accounts receivable are stated at the amount the Organization expects to collect once there is an unconditional right to receive them. 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. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. 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. Promises receivable at year end consisted of the following:

	December 31, 2019	December 31, 2018
Purpose Restricted	$ 385,000	$ 593,420
Time Restricted	93,000	-
Without Donor Restrictions	52,269	37,660
Total Promises Receivable	$ 530,269	$ 631,080

For the years ended December 31, 2019 and 2018, 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, 2019 and 2018, approximately 71% and 77%, respectively, of the Organization's promises receivable ($375,000 and $483,420) was due from two donors. The Organization does not believe they are at any significant credit risk related to these promises made based on historical collection and the organizational relationship with these donors.

(7) FIXED ASSETS:

Furniture and office equipment are recorded at cost. Contributed assets are recorded at fair value at the date of contribution. If an expenditure in excess of $1,000 results in an asset having an estimated useful life, which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset.

Depreciation and amortization have been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was $19,970 and $6,429, 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, 2019:

	Cost	Accumulated Depreciation	Net Book Value	
Office Furniture and Equipment	$ 29,683	$ 14,473	$ 15,210	3-7 years
Chemical Hazard Assessments	29,700	2,474	27,226	3 years
Websites	148,802	13,134	135,668	3-4 years
Total Fixed Assets	$ 208,185	$ 30,081	$ 178,104	

December 31, 2018:

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

(8) OPERATING LEASES AND COMMITMENTS:

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 expired on March 31, 2020. The monthly rent payments in year 1 were $2,400 with payments beginning on April 1, 2015. The monthly rent increases annually on April 1st. 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.

(8) OPERATING LEASES AND COMMITMENTS: (Continued)

Washington, DC - Connecticut Avenue (Continued)

On March 1, 2018, the Organization signed a lease amendment which resulted in a decrease in square footage of office space rented at 1710 Connecticut Avenue. This amendment resulted in a decrease in monthly rental payments. The Organization’s monthly rental payment at December 31, 2019, was $2,133.

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, $378 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, 2019 and 2018 was $28,418 and $28,330, respectively. As of December 31, 2019, future minimum rental obligations required under this lease, net of rent abatement are as follows:

Year Ending December 31,	Rent Obligation	Rent Abatement	Net Obligation
2020	$ 6,021	$ 378	$ 6,399
Total	$ 6,021	$ 378	$ 6,399

The Organization leased space in multiple locations on a month-to-month basis. Total combined rental expense for the years ended December 31, 2019 and 2018 was $38,000 and $33,989, respectively.

(9) RETIREMENT PLAN:

Employees of the Organization are covered under an optional contributory retirement plan that covers substantially all employees. The Organization does not provide employer matching contributions. There is no unfunded past service liability. Therefore, there was no expense for the years ended December 31, 2019 and 2018.

(10) EMPLOYEE BENEFITS:

Fringe Benefits and Payroll Taxes

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

	December 31, 2019	December 31, 2018
Social Security and Medicare	$ 117,170	$ 93,062
Medical Insurance	179,939	193,741
Unemployment	6,907	2,770
Workers Compensation	4,650	4,065
Paid Leave Tax	781	-
Less: Benefits Capitalized as part of Website Costs	-	(2,445)
Total	$ 309,447	$ 291,193

(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 fifty-three percent (53%) of current year revenues, excluding donated services, were derived from grant and contribution revenues.

(12) RELATED PARTY TRANSACTIONS:

The Institute for Local Self-Reliance (ILSR) and the Healthy Building Network (HBN) share office space that is separately leased from a third party. HBN pays the third party and ILSR reimburses HBN for their share of the rent. ILSR reimbursed HBN $46,838 and $35,399 during the years ended December 31, 2019 and 2018, respectively. At December 31, 2018, a receivable of $3,423 was due from ILSR.

A Board Member of the Organization is also a Board Member of the Health Product Declaration Collaborative (HPDC) during the year ended December 31, 2019. During the year ended December 31, 2018, two Board Members of the Organization were Board Members of HPDC. 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, 2019 and 2018, respectively, the Organization earned $20,000 and $22,834 in contract revenues from HPDC. As of December 31, 2019 and 2018, the Organization had a receivable of $5,000 from HPDC.

Two Board Members of the Organization work for Google. The Organization entered into contracts with Google which resulted in contract revenues of $73,100 and $25,000 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, contracts receivable from Google was $25,100.

Other organizations with which Board Members are affiliated provided contract revenues in the amount of $3,150, to HBN during the year ended December 31, 2019.

(12) RELATED PARTY TRANSACTIONS: (Continued)

Various Board Members and their affiliated organizations gave contributions to the Healthy Building Network totaling $47,866 and $23,218 during the years ended December 31, 2019 and 2018, respectively. A Board Member's firm also provided contributed legal services in the amount of $10,000 and $20,000, respectively, during the years ended December 31, 2019 and 2018.

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 Strategic Advisor.

(13) FUNDRAISING:

Expenses in the amount of $89,880 and $77,839 were incurred for the purposes of fundraising during the years ended December 31, 2019 and 2018, respectively.

(14) SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 25, 2020, 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.

Pandemic

Subsequent to year end, the Organization has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Organization is closely monitoring its operations and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of theses financial statements, the full impact to the Organization's financial position is not known.

Paycheck Protection Program

On May 7, 2020, the Organization received loan proceeds in the amount of $306,200 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks provided the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of one percent (1%), with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, no assurances can be provided.

(15) CONTINGENCIES:

Contributions and Grants

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.

The Organization receives grant revenues from foundations which are subject to financial and compliance audits by the granting agencies. As such, there exists a contingent liability for potential disallowed claims and questioned costs resulting from such audits. Management does not anticipate any significant adjustments as a result of such an audit.

Litigation

From time to time, the Organization is involved in routine litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Organization is a party for which management believes the ultimate outcome would have a material adverse effect on the Organization's financial position.