

HEALTHY BUILDING NETWORK

WASHINGTON, DC

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COMPARATIVE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

**KENDALL, PREBOLA AND JONES**

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

Board of Directors  
Healthy Building Network  
4911 7<sup>th</sup> Street, NW  
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT

**Opinion**

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Healthy Building Network and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Healthy Building Network's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

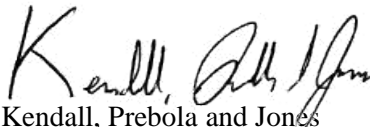
**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Healthy Building Network's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Healthy Building Network's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
August 1, 2022

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 2,191,999	\$ 1,483,285
Accounts Receivable	11,383	63,578
Promises Receivable	521,518	316,632
Prepaid Expenses	<u>11,894</u>	<u>12,910</u>
Total Current Assets	<u>\$ 2,736,794</u>	<u>\$ 1,876,405</u>
<u>Fixed Assets:</u>		
Office Equipment and Furniture	\$ 36,954	\$ 34,287
Less: Accumulated Depreciation	(23,595)	(20,301)
Chemical Hazard Assessments	450,884	217,083
Less: Accumulated Amortization	(102,307)	(17,580)
Websites	148,802	148,802
Less: Accumulated Amortization	<u>(109,876)</u>	<u>(61,505)</u>
Total Fixed Assets	<u>\$ 400,862</u>	<u>\$ 300,786</u>
<u>Non-Current Assets:</u>		
Promises Receivable	<u>\$ 250,000</u>	<u>\$ -</u>
Total Non-Current Assets	<u>\$ 250,000</u>	<u>\$ -</u>
TOTAL ASSETS	<u>\$ 3,387,656</u>	<u>\$ 2,177,191</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 35,479	\$ 15,667
Accrued Vacation and Salaries	102,398	89,793
Deferred Revenue	<u>371,382</u>	<u>245,537</u>
Total Liabilities	<u>\$ 509,259</u>	<u>\$ 350,997</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 1,432,047	\$ 995,085
With Donor Restrictions	<u>1,446,350</u>	<u>831,109</u>
Total Net Assets	<u>\$ 2,878,397</u>	<u>\$ 1,826,194</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,387,656</u>	<u>\$ 2,177,191</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>Year Ended December 31, 2021</u>			<u>Year Ended December 31, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>						
Grants and Contributions	\$ 748,628	\$ 2,269,128	\$ 3,017,756	\$ 627,733	\$ 1,292,925	\$ 1,920,658
Contract Revenue and Honoraria	962,365	-	962,365	1,124,641	-	1,124,641
Program Fees	44,292	-	44,292	15,350	-	15,350
Interest	3,816	-	3,816	9,050	-	9,050
Donated Services	7,500	-	7,500	7,500	-	7,500
Foreign Exchange Loss	(10,004)	-	(10,004)	(5,448)	-	(5,448)
Net Assets Released from Restriction - Satisfaction of Program Restrictions	<u>1,653,887</u>	<u>(1,653,887)</u>	<u>-</u>	<u>1,377,125</u>	<u>(1,377,125)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 3,410,484</u>	<u>\$ 615,241</u>	<u>\$ 4,025,725</u>	<u>\$ 3,155,951</u>	<u>\$ (84,200)</u>	<u>\$ 3,071,751</u>
<u>Expenses:</u>						
Program Services	\$ 2,717,464	\$ -	\$ 2,717,464	\$ 2,238,060	\$ -	\$ 2,238,060
Fundraising	126,982	-	126,982	99,914	-	99,914
Administration	<u>129,076</u>	<u>-</u>	<u>129,076</u>	<u>283,530</u>	<u>-</u>	<u>283,530</u>
Total Expenses	<u>\$ 2,973,522</u>	<u>\$ -</u>	<u>\$ 2,973,522</u>	<u>\$ 2,621,504</u>	<u>\$ -</u>	<u>\$ 2,621,504</u>
Change in Net Assets	\$ 436,962	\$ 615,241	\$ 1,052,203	\$ 534,447	\$ (84,200)	\$ 450,247
Net Assets at Beginning of Period	<u>995,085</u>	<u>831,109</u>	<u>1,826,194</u>	<u>460,638</u>	<u>915,309</u>	<u>1,375,947</u>
Net Assets at End of Period	<u>\$ 1,432,047</u>	<u>\$ 1,446,350</u>	<u>\$ 2,878,397</u>	<u>\$ 995,085</u>	<u>\$ 831,109</u>	<u>\$ 1,826,194</u>

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>Year Ended December 31, 2021</u>				<u>Year Ended December 31, 2020</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	\$ 59,717	\$ 87,668	\$ 1,660,853	\$ 1,808,238	\$ 140,328	\$ 77,082	\$ 1,455,739	\$ 1,673,149
Fringe Benefits and Payroll Taxes	14,460	21,045	359,326	394,831	28,773	15,145	256,785	300,703
Consultants and Contracted Services	25,377	7,758	361,410	394,545	45,077	391	282,557	328,025
Travel	953	15	11,310	12,278	2,441	9	13,456	15,906
Meetings and Conferences	594	-	10,250	10,844	10,822	-	8,485	19,307
Professional Fees	13,574	4,843	100,273	118,690	40,553	2,791	82,397	125,741
Supplies and Expense	758	260	4,768	5,786	734	350	8,689	9,773
Telephone and Internet	1,847	1,881	46,541	50,269	3,497	1,559	39,736	44,792
Dues, Subscriptions and Publications	40	2,567	12,550	15,157	325	1,399	4,920	6,644
Equipment Rental and Maintenance	68	65	1,485	1,618	95	115	640	850
Rent	17	25	1,513	1,555	1,243	389	10,537	12,169
Insurance	10,774	-	2,704	13,478	8,264	-	3,426	11,690
Depreciation and Amortization	549	802	141,971	143,322	1,137	609	68,754	70,500
Bank Service Charges and Fees	348	53	2,510	2,911	241	75	1,939	2,255
 Total Expenses	 \$ 129,076	 \$ 126,982	 \$ 2,717,464	 \$ 2,973,522	 \$ 283,530	 \$ 99,914	 \$ 2,238,060	 \$ 2,621,504

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 1,052,203	\$ 450,247
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization Expense	143,322	70,500
Accounts Receivable - (Increase)/Decrease	52,195	1,153
Promises Receivable - (Increase)/Decrease	(454,886)	213,637
Prepaid Expenses - (Increase)/Decrease	1,016	1,671
Security Deposits - (Increase)/Decrease	-	2,400
Accounts Payable - Increase/(Decrease)	19,812	(32,225)
Accrued Vacation and Salaries - Increase/(Decrease)	12,605	22,756
Deferred Revenue - Increase/(Decrease)	125,845	(202,036)
Deferred Rent Abatement - Increase/(Decrease)	<u>-</u>	<u>(378)</u>
Net Cash Flows from Operating Activities	<u>\$ 952,112</u>	<u>\$ 527,725</u>
<u>Investing Activities:</u>		
Proceeds from Sale of Fixed Assets	\$ -	\$ 739
Acquisition of Fixed Assets	<u>(243,398)</u>	<u>(193,921)</u>
Net Cash Flows from Investing Activities	<u>\$ (243,398)</u>	<u>\$ (193,182)</u>
Net Increase in Cash	\$ 708,714	\$ 334,543
Cash and Cash Equivalents at Beginning of Period	<u>1,483,285</u>	<u>1,148,742</u>
Cash and Cash Equivalents at End of Period	<u>\$ 2,191,999</u>	<u>\$ 1,483,285</u>

Supplemental Disclosures:

- a) No interest or income taxes were paid during years ended December 31, 2021 and 2020.

(See Accompanying Notes and Auditor's Report)



HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(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 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. As we gained clarity around these strategies, we have been able to focus our programs and products towards that end. HBN is a leading organization advocating for a reduction in the use of toxic chemicals throughout the supply chain as products are made, used, and disposed.

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 building materials and other products 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. It also includes the development and management of web applications and tools that make chemical hazard data and product guidance widely available to and actionable by a variety of product sectors, including, but not limited to real estate professionals, scientists, academia, manufacturers and others who influence the product market. HBN works to establish healthfulness as an imperative of 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.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION: (Continued)

**Basic Programs** (Continued)

**1. Innovative Research** (Continued)

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 and other product markets that support a circular economy. In communicating our latest research findings we are often the first to raise new issues of concern that cross-cut sectors, like issues related to plastics, embodied carbon, and climate change.

**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 and other types of products because product ingredients are not typically or reliably disclosed by industry. HBN is an acknowledged leader in advancing the disclosure of the contents and related health hazards in commonly used building products, and we are advancing resources in other sectors. Our data tools include:

- **Pharos:** The most comprehensive independent database of chemicals, polymers, metals, and other substances - currently over 146,000 chemicals and growing. It is used across sectors, including the built environment, electronics, food packaging, beauty and personal care, and many other consumer products. 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 chemicals and materials, including VOC content and emissions, recycled and biobased content, and much more.
- **Product Screening:** Leveraging our Common Product research methodology HBN is able to screen product types (i.e., flooring, insulation, paint, etc.) where transparency from manufacturers is incomplete or simply does not exist. Leveraging this methodology HBN is able to classify the product types into a red to green (worst to best) ranking. Access to these product type rankings is provided through our website or as an application program interface (API) to third party organizations.
- **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 across all sectors 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.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(1) ORGANIZATION: (Continued)

**Basic Programs** (Continued)

**2. Powerful Data Tools** (Continued)

- SUM Decelerator: Fiscally sponsored by HBN, the program's goal is educating the food industry on the impact of single use packaging and to reduce or eliminate their common use to improve both health and the environmental well-being.

**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**

The Organization has implemented the accounting and reporting standards surrounding contributions. These standards affect financial statement reporting and disclosures included within the body of the financial statements. The standards promulgate clarity for distinguishing between exchange transactions and those of a non-reciprocal arrangement leading to a contribution, while providing rules and guidance on what constitutes an underlying condition that may be associated with a contribution.

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.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

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

(b) Revenue Recognition: (Continued)

**Contributions** (Continued)

Conditional contributions are determined on the basis of whether or not an underlying agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If both exist, then the contribution is conditional. Barriers include and are not limited to:

- Measurable performance-related barrier(s) (e.g., specified level of service, specific output, or outcome, matching requirement);
- Extent to which a stipulation limits discretion on conduct of activity (e.g., qualifying expenses, specific protocols); and
- Extent to which a stipulation is related to the purpose of the agreement (excludes administrative or trivial).

Conditional contributions are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Therefore, any respective advance payments received are recorded as a refundable advance and subsequently recognized as contribution revenue when the underlying conditions are fulfilled.

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 judgment, including such factors as prior collection history and type of contribution.

**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 and ChemForward online educational databases 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, 2021 and 2020 were \$371,382 and \$245,537, respectively.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(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. The Organization has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(1)(A)(vi). The Organization did not have any net unrelated business income during the years ended December 31, 2021 or 2020.

(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.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(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, 2021 and 2020 for the following programs:

	<u>2021</u>	<u>2020</u>
Program Services - Purpose Restricted:		
ChemFORWARD	\$ 529,391	\$ 491,009
Affordable Housing Project	504,170	125,000
Diversity, Equity and Inclusion	200,000	-
Pharos	75,000	25,000
Research	37,500	60,100
Single Use Materials Decelerator	289	-
Communications	<u>-</u>	<u>10,000</u>
Subtotal - Purpose Restricted	\$ 1,346,350	\$ 711,109
Time Restricted	<u>100,000</u>	<u>120,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,446,350</u>	<u>\$ 831,109</u>

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:

	<u>2021</u>	<u>2020</u>
Program Services - Purpose Restricted:		
ChemFORWARD	\$ 985,446	\$ 809,225
Affordable Housing Project	390,830	375,000
Research	97,600	74,900
Pharos	50,000	25,000
Communications	10,000	-
Single Use Materials Decelerator	<u>11</u>	<u>-</u>
Subtotal - Purpose Restricted	\$ 1,533,887	\$ 1,284,125
Time Restricted	<u>120,000</u>	<u>93,000</u>
Total Net Assets Released from Restrictions	<u>\$ 1,653,887</u>	<u>\$ 1,377,125</u>

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

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

(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.

The time contributed by the Organization's Board of Directors is uncompensated and is not reflected as donated services. 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 \$7,500 were recognized in the financial statements for the years ended December 31, 2021 and 2020.

(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.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

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

(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.

(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.

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 2,191,999	\$ 1,483,285
Accounts Receivable	11,383	63,578
Promises Receivable	<u>771,518</u>	<u>316,632</u>
Total Financial Assets	\$ 2,974,900	\$ 1,863,495
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Non-current Promises Receivable	<u>250,000</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 2,724,900</u>	<u>\$ 1,863,495</u>

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.



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(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, 2021, 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, 2021, the statute of limitations for tax years 2018 through 2020 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, 2021, the Organization had no accruals for interest and/or penalties.

(5) CASH AND CASH EQUIVALENTS:

The carrying amount of cash and cash equivalents at year end consisted of the following:

	<u>2021</u>	<u>2020</u>
Checking Account - Interest Bearing	\$ 248,032	\$ 150,958
Checking Account - Non-Interest Bearing	39,253	42,989
Savings Accounts	742,543	493,902
Money Market Accounts	<u>1,162,171</u>	<u>795,436</u>
Total	<u>\$ 2,191,999</u>	<u>\$ 1,483,285</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.

The Organization maintains its deposits in eight financial institutions in the form of business checking accounts, savings accounts and money market accounts. The non-interest-bearing checking accounts, savings accounts 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. National Credit Union Administration (NCUA) insurance coverage is \$250,000.

As of December 31, 2021 and 2020, \$207,105 and \$0, 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.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(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:

	<u>2021</u>	<u>2020</u>
Contracts and Program Fees	\$ 11,312	\$ 62,176
Reimbursable Expenses	<u>71</u>	<u>1,402</u>
Total Accounts Receivable	<u>\$ 11,383</u>	<u>\$ 63,578</u>

The Organization's accounts receivable consists of unsecured amounts due from program participants and funding sources whose ability to pay is subject to changes in economic conditions. Because the Organization does not require collateral, it is at credit risk for the balance of the accounts receivable as of December 31, 2021 and 2020. Management believes the risk related to these balances is minimal.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that an allowance was not required based on its evaluation of collectability of receivables for the years ended December 31, 2021 and 2020.

Trade receivables related to program service fees (subscriptions, consulting, etc.) are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Trade receivables are written off as uncollectible once management determines that available collection efforts are exhausted.

**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.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(6) ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

**Promises Receivable** (Continued)

Promises receivable at year end consisted of the following:

	<u>2021</u>	<u>2020</u>
Purpose Restricted	\$ 585,093	\$ 180,353
Time Restricted	100,000	120,000
Without Donor Restrictions	61,181	16,279
Government Grant	<u>25,244</u>	<u>-</u>
Total Promises Receivable	<u>\$ 771,518</u>	<u>\$ 316,632</u>

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

	<u>2021</u>	<u>2020</u>
Less Than One Year	\$ 521,518	\$ 316,632
One to Five Years	<u>250,000</u>	<u>-</u>
Total	<u>\$ 771,518</u>	<u>\$ 316,632</u>

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, 2021 and 2020, approximately seventy-five percent (75%) and seventy-one percent (71%), respectively of the Organization's promises receivable (\$575,000 and 225,000) 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.

(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, 2021 and 2020 was \$143,322 and \$70,500, 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.

HEALTHY BUILDING NETWORK  
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(7) FIXED ASSETS: (Continued)

Classification of fixed assets and their estimated useful lives are as summarized below:

December 31, 2021:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
Office Furniture and Equipment	\$ 36,954	\$ 23,595	\$ 13,359	3-7 years
Chemical Hazard Assessments	450,884	102,307	348,577	3 years
Websites	<u>148,802</u>	<u>109,876</u>	<u>38,926</u>	3-4 years
Total Fixed Assets	<u>\$ 636,640</u>	<u>\$ 235,778</u>	<u>\$ 400,862</u>	

December 31, 2020:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
Office Furniture and Equipment	\$ 34,287	\$ 20,301	\$ 13,986	3-7 years
Chemical Hazard Assessments	217,083	17,580	199,503	3 years
Websites	<u>148,802</u>	<u>61,505</u>	<u>87,297</u>	3-4 years
Total Fixed Assets	<u>\$ 400,172</u>	<u>\$ 99,386</u>	<u>\$ 300,786</u>	

(8) PAYCHECK PROTECTION PROGRAM:

The Paycheck Protection Program (PPP) was established under the CARES Act on March 27, 2020, and was designed to provide cash-flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus pandemic with loan funds to pay up to 24 weeks of payroll costs including fringe benefits, rent and utilities commencing on the date of loan origination. The Paycheck Protection Program is a loan program that is guaranteed in its entirety through the Small Business Administration and offers a maturity of two years and an interest rate of one percent (1%). The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in manner consistent with the allowable use of loan proceeds.

Paycheck Protection Program funds are being reported in accordance with FASB ASC 958-605. Due to the forgiveness being conditional on incurring the qualified expenses, the funds were accounted for as a refundable advance and were recognized as contribution revenue as the qualified expenses were incurred. The Organization received a total amount of loan proceeds in the amount of \$306,200 on May 8, 2020. As of December 31, 2020, \$306,200 has been recognized as contribution income since the conditions upon which the loan proceeds were provided has been substantially met. This loan was forgiven by the Small Business Administration and PNC Bank on March 26, 2021.

The Consolidated Appropriations Act, 2021 package, which was signed into law on December 27, 2020, extends the Paycheck Protection Program to include a second round of funding to certain businesses that received funding under the original PPP.

HEALTHY BUILDING NETWORK  
NOTES TO FINANCIAL STATEMENTS

(8) PAYCHECK PROTECTION PROGRAM: (Continued)

On March 11, 2021, the Healthy Building Network received an additional paycheck protection program loan in the amount of \$331,025. As of December 31, 2021, \$331,025 has been recognized as contribution income since the conditions upon which the loan proceeds were provided has been substantially met. This loan was forgiven by the Small Business Administration and PNC Bank on December 22, 2021.

(9) 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 increased annually on April 1<sup>st</sup>. 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. 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 January 1, 2020, was \$2,133.

The Organization was obligated to pay a portion of the annual increase in operating cost of the leased property. 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. The rental expense related to this lease for the year ended December 31, 2020 was \$6,986.

**Storage**

The Organization entered into a lease agreement with Paxton Record Retention Inc for storage for a period of 48 months effective March 13, 2020. The monthly minimum rental fee is \$30. Total rental fees related to this lease for the years ended December 31, 2021 and 2020 was \$360 and \$374, respectively. This contract provides for automatic renewal of successive terms of 12 months. Future minimum rental obligations required under this lease are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Rent</u> <u>Obligation</u>
2022	\$ 360
2023	360
2024	<u>90</u>
Total	<u>\$ 810</u>

The Organization leases space as needed on a month-to-month basis. Total combined rental expense for the years ended December 31, 2021 and 2020 was \$1,195 and \$11,795, respectively.

HEALTHY BUILDING NETWORK  
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(10) RETIREMENT PLAN:

Employees of the Organization are covered under a non-elective retirement plan that covers substantially all employees after 1,000 hours of service. Effective January 1, 2021, the Organization began providing contributions equal to three percent (3%) of an employee's annual salary. There is no unfunded past service liability. Retirement expense for the years ended December 31, 2021 and 2020 was \$50,864 and \$0, respectively.

(11) EMPLOYEE BENEFITS:

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

	<u>2021</u>	<u>2020</u>
Social Security and Medicare	\$ 135,721	\$ 124,004
Medical Insurance	191,091	163,163
Retirement	50,864	-
Unemployment	11,531	8,212
Workers Compensation	4,481	4,252
Paid Leave Tax	<u>1,143</u>	<u>1,072</u>
Total	<u>\$ 394,831</u>	<u>\$ 300,703</u>

(12) CONCENTRATIONS:

Based on the nature and purpose of the Organization, significant revenues are received through parties interested in establishing healthier building practices. For the years ended December 31, 2021 and 2020, approximately seventy-five percent (75%) and sixty-three percent (63%), respectively, of revenues, excluding donated services, were derived from grant and contribution revenues.

(13) RELATED PARTY TRANSACTIONS:

The Institute for Local Self-Reliance (ILSR) and the Healthy Building Network (HBN) shared office space that was jointly leased from a third party. HBN paid the third party and ILSR reimbursed HBN for their share of the rent. ILSR reimbursed HBN \$10,757 during the year ended December 31, 2020.

A Board Member of the Organization works for Google. The Organization entered into contracts with Google which resulted in contract revenues of \$205,700 and \$165,300 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2020, contracts receivable from Google was \$21,600.

An organization with which Board Members are affiliated provided contract revenues in the amount of \$16,000, to HBN during the year ended December 31, 2021.

HEALTHY BUILDING NETWORK  
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(13) RELATED PARTY TRANSACTIONS: (Continued)

Various Board Members and their affiliated organizations gave contributions to the Healthy Building Network totaling \$38,366 and \$46,886 during the years ended December 31, 2021 and 2020, respectively. A Board Member's firm also provided contributed legal services in the amount of \$7,500, during the years ended December 31, 2021 and 2020.

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 Senior Advisor.

(14) FUNDRAISING:

Expenses in the amount of \$126,982 and \$99,914 were incurred for the purposes of fundraising during the years ended December 31, 2021 and 2020, respectively.

(15) SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 1, 2022, 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.

(16) CONTINGENCIES:

**Pandemic**

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 these financial statements, the full impact to the Organization's financial position is not known.

**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.

HEALTHY BUILDING NETWORK  
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(16) CONTINGENCIES: (Continued)

**Contributions and Grants** (Continued)

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.