HEALTHY BUILDING NETWORK

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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I N D E X

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Healthy Building Network
4911 7th 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, 2022 and 2021, 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, 2022 and 2021, 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
October 5, 2023

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,674,030	$ 2,191,999
Accounts Receivable	61,408	11,383
Promises Receivable	351,061	521,518
Prepaid Expenses	12,934	11,894
Total Current Assets	$ 2,099,433	$ 2,736,794
Fixed Assets:		
Office Equipment and Furniture	$ 32,946	$ 36,954
Less: Accumulated Depreciation	(21,182)	(23,595)
Chemical Hazard Assessments	702,766	450,884
Less: Accumulated Amortization	(256,909)	(102,307)
Websites	148,802	148,802
Less: Accumulated Amortization	(148,802)	(109,876)
Total Fixed Assets	$ 457,621	$ 400,862
Non-Current Assets:		
Promises Receivable	$ 126,500	$ 250,000
Total Non-Current Assets	$ 126,500	$ 250,000
TOTAL ASSETS	$ 2,683,554	$ 3,387,656
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 106,467	$ 35,479
Accrued Vacation and Salaries	61,918	102,398
Deferred Revenue	329,982	371,382
Total Liabilities	$ 498,367	$ 509,259
Net Assets:		
Without Donor Restrictions	$ 1,296,047	$ 1,432,047
With Donor Restrictions	889,140	1,446,350
Total Net Assets	$ 2,185,187	$ 2,878,397
TOTAL LIABILITIES AND NET ASSETS	$ 2,683,554	$ 3,387,656

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:						
Grants and Contributions	$ 273,135	$ 653,000	$ 926,135	$ 748,628	$ 2,269,128	$ 3,017,756
Contract Revenue	1,424,560	-	1,424,560	962,365	-	962,365
Program Fees	148,340	-	148,340	44,292	-	44,292
Interest	13,077	-	13,077	3,816	-	3,816
Donated Services	7,000	-	7,000	7,500	-	7,500
Foreign Exchange Loss	(5,628)	-	(5,628)	(10,004)	-	(10,004)
Net Assets Released from Restriction - Satisfaction of Program Restrictions	1,210,210	(1,210,210)	-	1,653,887	(1,653,887)	-
Total Revenues, Gains and Other Support	$ 3,070,694	$ (557,210)	$ 2,513,484	$ 3,410,484	$ 615,241	$ 4,025,725
Expenses:						
Program Services	$ 2,986,191	$ -	$ 2,986,191	$ 2,717,464	$ -	$ 2,717,464
Administration	90,481	-	90,481	129,076	-	129,076
Fundraising	130,022	-	130,022	126,982	-	126,982
Total Expenses	$ 3,206,694	$ -	$ 3,206,694	$ 2,973,522	$ -	$ 2,973,522
Change in Net Assets	$ (136,000)	$ (557,210)	$ (693,210)	$ 436,962	$ 615,241	$ 1,052,203
Net Assets at Beginning of Period	1,432,047	1,446,350	2,878,397	995,085	831,109	1,826,194
Net Assets at End of Period	$ 1,296,047	$ 889,140	$ 2,185,187	$ 1,432,047	$ 1,446,350	$ 2,878,397

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Year Ended December 31, 2022				Year Ended December 31, 2021			
	Supporting Services				Supporting Services			
	Administration	Fundraising	Program Services	Total	Administration	Fundraising	Program Services	Total
Expenses:								
Salaries	$ 51,164	$ 91,038	$ 1,625,072	$ 1,767,274	$ 59,717	$ 87,668	$ 1,660,853	$ 1,808,238
Fringe Benefits and Payroll Taxes	12,344	22,224	375,875	410,443	14,460	21,045	359,326	394,831
Consultants and Contracted Services	1	4,061	558,494	562,556	25,377	7,758	361,410	394,545
Travel	2,691	2,623	39,102	44,416	953	15	11,310	12,278
Meetings and Conferences	-	497	12,450	12,947	594	-	10,250	10,844
Professional Fees	11,123	5,108	94,040	110,271	13,574	4,843	100,273	118,690
Supplies	88	192	3,677	3,957	758	260	4,768	5,786
Telephone and Internet	897	1,747	45,970	48,614	1,847	1,881	46,541	50,269
Dues, Subscriptions and Publications	1,030	1,424	14,390	16,844	40	2,567	12,550	15,157
Equipment Rental and Maintenance	62	71	908	1,041	68	65	1,485	1,618
Rent	249	372	7,435	8,056	17	25	1,513	1,555
Insurance	9,922	-	4,374	14,296	10,774	-	2,704	13,478
Depreciation and Amortization	319	577	201,355	202,251	549	802	141,971	143,322
Bank Service Charges and Fees	591	88	3,049	3,728	348	53	2,510	2,911
Total Expenses	$ 90,481	$ 130,022	$ 2,986,191	$ 3,206,694	$ 129,076	$ 126,982	$ 2,717,464	$ 2,973,522

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets	$ (693,210)	$ 1,052,203
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization Expense	202,251	143,322
Accounts Receivable - (Increase)/Decrease	(50,025)	52,195
Promises Receivable - (Increase)/Decrease	293,957	(454,886)
Prepaid Expenses - (Increase)/Decrease	(1,040)	1,016
Accounts Payable - Increase/(Decrease)	70,988	19,812
Accrued Vacation and Salaries - Increase/(Decrease)	(40,480)	12,605
Deferred Revenue - Increase/(Decrease)	(41,400)	125,845
Net Cash Flows from Operating Activities	$ (258,959)	$ 952,112
Investing Activities:		
Proceeds from Sale of Fixed Assets	$ 1,438	$ -
Acquisition of Fixed Assets	(260,448)	(243,398)
Net Cash Flows from Investing Activities	$ (259,010)	$ (243,398)
Net Increase in Cash	$ (517,969)	$ 708,714
Cash and Cash Equivalents at Beginning of Period	2,191,999	1,483,285
Cash and Cash Equivalents at End of Period	$ 1,674,030	$ 2,191,999

Supplemental Disclosures:

a) No interest or income taxes were paid during years ended December 31, 2022 and 2021.

(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 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 use of safer chemicals and growing the demand for manufacture and use of healthier building materials and other kinds of 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 chemical and product market. HBN works to establish healthfulness and justice 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.

(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 safer chemistry and 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.

- Informed™: Leveraging our deep research and Common Product 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 rankings is provided through our Informed application, resources, and consulting services.

- 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.

(1) ORGANIZATION: (Continued)

Basic Programs (Continued)

2. Powerful Data Tools (Continued)

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

3. Capacity-Building Education

HBN's primary community of practice and education program is HomeFree, a national initiative supporting affordable housing leaders who are improving human health by using less toxic building materials. Our HomeFree participants have access to online resource providing critical information to the affordable housing community, as well as networking with peers in the 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.

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

Exchange Transactions

The Organization has adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue for Contracts with Customers," and a series of amendments which together hereinafter are referred to as "ASC Topic 606." This standard outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers (donors).

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

(b) Revenue Recognition: (Continued)

Exchange Transactions (Continued)

Central to the revenue recognition framework is a five-step revenue recognition model that requires reporting entities to:

1. Identify the contract;
2. Identify the performance obligations of the contract;
3. Determine the transaction price of the contract;
4. Allocate the transaction price to the performance obligations, and;
5. Recognize revenue.

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, 2022 and 2021 were $329,982 and $371,382, respectively.

(c) Corporate Taxes:

The Organization is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Accordingly, no income taxes have been provided for in the accompanying financial statements. 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, 2022 or 2021.

(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:

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

(d) Net Assets: (Continued)

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.

Net assets with donor restrictions were available at December 31, 2022 and 2021 for the following programs:

	2022	2021
Program Services - Purpose Restricted:		
Affordable Housing Project	$ 461,670	$ 504,170
ChemFORWARD	171,970	529,391
Research	62,500	37,500
Pharos	25,000	75,000
Single Use Materials Decelerator	1,000	289
Diversity, Equity and Inclusion	-	200,000
Subtotal - Purpose Restricted	$ 722,140	$ 1,346,350
Time Restricted	167,000	100,000
Total Net Assets with Donor Restrictions	$ 889,140	$ 1,446,350

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

(d) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

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:

	2022	2021
Program Services - Purpose Restricted:		
ChemFORWARD	$ 542,421	$ 985,446
Affordable Housing Project	282,500	390,830
Diversity, Equity and Inclusion	200,000	-
Pharos	110,000	50,000
Research	50,000	97,600
Single Use Materials Decelerator	289	11
Communications	-	10,000
Subtotal - Purpose Restricted	$ 1,185,210	$ 1,533,887
Time Restricted	25,000	120,000
Total Net Assets Released from Restrictions	$ 1,210,210	$ 1,653,887

(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 $7,000 and $7,500 were recognized in the financial statements for the years ended December 31, 2022 and 2021, respectively.

(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.

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

(f) Functional Expense Allocation Policies and Procedures: (Continued)

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) Leases:

The Organization calculates operating lease liabilities with a risk-free discount rate, using a comparable period with the lease term. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

(3) CHANGE IN ACCOUNTING POLICY:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, which amends guidance in former Accounting Standards Codification (ASC) 842, *Leases*. The core principle of ASC 842 is that any organization should recognize an asset and related liability for leases longer than 12 months to depict the transfer of promised rights and obligations in an amount that reflects the consideration to which the organization expects to be entitled. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of leases and cash flows arising from contracts.

(3) CHANGE IN ACCOUNTING POLICY: (Continued)

Effective January 1, 2022, the Organization adopted ASU 2016-02 and has elected to apply the provisions of this standard to the beginning of the period of adoption. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance with the new standard, which among other things, allowed it to carry forward the historical lease classifications. The Organization's adoption of the standard had no quantitative impact on the financial statements.

(4) 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.

	2022	2021
Financial Assets at Year End:		
Cash and Cash Equivalents	$ 1,674,030	$ 2,191,999
Accounts Receivable	61,408	11,383
Promises Receivable	477,561	771,518
Total Financial Assets	$ 2,212,999	$ 2,974,900
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Non-current Promises Receivable	126,500	250,000
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 2,086,499	$ 2,724,900

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.

(5) 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, 2022, 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, 2022, the statute of limitations for tax years 2019 through 2021 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, 2022, the Organization had no accruals for interest and/or penalties.

(6) CASH AND CASH EQUIVALENTS:

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

	2022	2021
Checking Account - Interest Bearing	$ 58,118	$ 248,032
Checking Account - Non-Interest Bearing	151,514	39,253
Savings Accounts	720,649	742,543
Money Market Accounts	743,749	1,162,171
Total	$ 1,674,030	$ 2,191,999

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, 2022 and 2021, $151,435 and $207,105, 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.

(7) ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

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

	2022	2021
Contracts and Program Fees	$ 58,241	$ 11,312
Reimbursable Expenses	3,167	71
Total Accounts Receivable	$ 61,408	$ 11,383

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, 2022 and 2021. 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, 2022 and 2021.

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.

(7) ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable (Continued)

Promises receivable at year end consisted of the following:

	2022	2021
Purpose Restricted	$ 351,000	$ 585,093
Time Restricted	90,000	100,000
Without Donor Restrictions	36,561	61,181
Government Grant	-	25,244
Total Promises Receivable	$ 477,561	$ 771,518

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

	2022	2021
Less Than One Year	$ 351,061	$ 521,518
One to Five Years	126,500	250,000
Total	$ 477,561	$ 771,518

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, 2022 and 2021, approximately ninety-two percent (92%) and seventy-five percent (75%), respectively, of the Organization's promises receivable ($440,000 and $575,000) was due from three donors and two donors, respectively. 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.

(8) 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, 2022 and 2021 was $202,251 and $143,322, 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.

(8) FIXED ASSETS: (Continued)

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

December 31, 2022:

	Cost	Accumulated Depreciation	Net Book Value	
Office Furniture and Equipment	$ 32,946	$ 21,182	$ 11,764	3-7 years
Chemical Hazard Assessments	702,766	256,909	445,857	3 years
Websites	148,802	148,802	-	3-4 years
Total Fixed Assets	$ 884,514	$ 426,893	$ 457,621	

December 31, 2021:

	Cost	Accumulated Depreciation	Net Book Value	
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	148,802	109,876	38,926	3-4 years
Total Fixed Assets	$ 636,640	$ 235,778	$ 400,862	

(9) 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, extended the Paycheck Protection Program to include a second round of funding to certain businesses that received funding under the original PPP.

(9) 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.

(10) OPERATING LEASES:

The Organization leases space as needed on a month-to-month basis. Total combined rental expense for the years ended December 31, 2022 and 2021 was $7,696 and $1,195, respectively. The Organization also rents storage space. Total rental fees related to the storage space for the years ended December 31, 2022 and 2021 were $360.

(11) 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, 2022 and 2021 was $49,947 and $50,864, respectively.

(12) EMPLOYEE BENEFITS:

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

	2022	2021
Social Security and Medicare	$ 136,186	$ 135,721
Medical Insurance	210,641	191,091
Retirement	49,947	50,864
Unemployment	8,376	11,531
Workers Compensation	4,486	4,481
Paid Leave Tax	807	1,143
Total	$ 410,443	$ 394,831

(13) 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, 2022 and 2021, approximately thirty-seven percent (37%) and seventy-five percent (75%), respectively, of revenues, excluding donated services, were derived from grant and contribution revenues. For the years ended December 31, 2022 and 2021, approximately fifty-seven percent (57%) and twenty-four percent (24%), respectively, of revenues, excluding donated services, were derived from contract revenues.

(14) RELATED PARTY TRANSACTIONS:

A Board Member of the Healthy Building Network works for an organization in which HBN entered into contracts with, which resulted in contract revenues of $411,924 and $205,700 for the years ended December 31, 2022 and 2021, respectively.

Various Board Members and their affiliated organizations gave contributions to the Healthy Building Network totaling $59,648 and $38,366 during the years ended December 31, 2022 and 2021, respectively. A Board Member's firm also provided contributed legal services in the amount of $7,000 and $7,500, during the years ended December 31, 2022 and 2021, respectively.

(15) FUNDRAISING:

Expenses in the amount of $130,022 and $126,982 were incurred for the purposes of fundraising during the years ended December 31, 2022 and 2021, respectively.

(16) SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 5, 2023, 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.

(17) 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.