HEALTHY BUILDING NETWORK

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEX

	Page
Independent Auditor's Report	1-2
Comparative Statements of Financial Position December 31, 2023 and 2022	3
Comparative Statements of Activities, For the Years Ended December 31, 2023 and 2022	4
Comparative Statements of Functional Expenses, For the Years Ended December 31, 2023 and 2022	5
Comparative Statements of Cash Flows, For the Years Ended December 31, 2023 and 2022	6
Notes to Financial Statements	7-22

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, 2023 and 2022, 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, 2023 and 2022, 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 25, 2024

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,874,846	$ 1,674,030
Accounts Receivable	149,614	61,408
Promises to Give	944,447	351,061
Prepaid Expenses	10,890	12,934
Total Current Assets	$ 2,979,797	$ 2,099,433
Fixed Assets:		
Office Equipment and Furniture	$ 34,881	$ 32,946
Less: Accumulated Depreciation	(16,973)	(21,182)
Chemical Hazard Assessments	1,137,951	702,766
Less: Accumulated Amortization	(487,648)	(256,909)
Websites	150,538	148,802
Less: Accumulated Amortization	(148,802)	(148,802)
Total Fixed Assets	$ 669,947	$ 457,621
Non-Current Assets:		
Promises to Give	$ 250,000	$ 126,500
Total Non-Current Assets	$ 250,000	$ 126,500
TOTAL ASSETS	$ 3,899,744	$ 2,683,554
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 99,048	$ 106,467
Accrued Vacation and Salaries	77,192	61,918
Deferred Revenue	453,670	329,982
Total Liabilities	$ 629,910	$ 498,367
Net Assets:		
Without Donor Restrictions	$ 1,461,523	$ 1,296,047
With Donor Restrictions	1,808,311	889,140
Total Net Assets	$ 3,269,834	$ 2,185,187
TOTAL LIABILITIES AND NET ASSETS	$ 3,899,744	$ 2,683,554

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:						
Grants and Contributions	$ 547,993	$ 2,244,080	$ 2,792,073	$ 273,135	$ 653,000	$ 926,135
Contract Revenue and Honoraria	2,227,496	-	2,227,496	1,424,560	-	1,424,560
Program Fees	186,499	-	186,499	148,340	-	148,340
Interest	38,664	-	38,664	13,077	-	13,077
Donated Services	18,130	-	18,130	7,000	-	7,000
Loss on Disposal of Fixed Assets	(879)		(879)	-	-	-
Foreign Exchange Loss	-	-	-	(5,628)	-	(5,628)
Net Assets Released from Restriction - Satisfaction of Program Restrictions	1,324,909	(1,324,909)	-	1,210,210	(1,210,210)	-
Total Revenues and Other Support	$ 4,342,812	$ 919,171	$ 5,261,983	$ 3,070,694	$ (557,210)	$ 2,513,484
Expenses:						
Program Services	$ 3,899,589	$ -	$ 3,899,589	$ 2,986,191	$ -	$ 2,986,191
Administration	145,760	-	145,760	90,481	-	90,481
Fundraising	131,987	-	131,987	130,022	-	130,022
Total Expenses	$ 4,177,336	$ -	$ 4,177,336	$ 3,206,694	$ -	$ 3,206,694
Change in Net Assets	$ 165,476	$ 919,171	$ 1,084,647	$ (136,000)	$ (557,210)	$ (693,210)
Net Assets at Beginning of Period	1,296,047	889,140	2,185,187	1,432,047	1,446,350	2,878,397
Net Assets at End of Period	$ 1,461,523	$ 1,808,311	$ 3,269,834	$ 1,296,047	$ 889,140	$ 2,185,187

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Year Ended December 31, 2023				Year Ended December 31, 2022			
	Supporting Services				Supporting Services			
	Administration	Fundraising	Program Services	Total	Administration	Fundraising	Program Services	Total
Expenses:								
Salaries	$ 83,861	$ 93,098	$ 1,904,138	$ 2,081,097	$ 51,164	$ 91,038	$ 1,625,072	$ 1,767,274
Fringe Benefits and Payroll Taxes	20,451	22,653	424,917	468,021	12,344	22,224	375,875	410,443
Consultants and Contracted Services	-	60	741,522	741,582	1	4,061	558,494	562,556
Subgrants	-	-	300,000	300,000	-	-	-	-
Travel	4,188	6,631	48,577	59,396	2,691	2,623	39,102	44,416
Meetings and Conferences	5,645	868	59,372	65,885	-	497	12,450	12,947
Professional Fees	18,745	4,569	100,336	123,650	11,123	5,108	94,040	110,271
Supplies	96	144	4,481	4,721	88	192	3,677	3,957
Telephone and Internet	1,436	1,680	48,468	51,584	897	1,747	45,970	48,614
Dues, Subscriptions and Publications	1,356	1,454	16,282	19,092	1,030	1,424	14,390	16,844
Equipment Rental and Maintenance	-	-	-	-	62	71	908	1,041
Rent	332	370	5,658	6,360	249	372	7,435	8,056
Insurance	9,187	-	5,449	14,636	9,922	-	4,374	14,296
Depreciation and Amortization	380	429	238,609	239,418	319	577	201,355	202,251
Bank Service Charges and Fees	83	31	1,780	1,894	591	88	3,049	3,728
Total Expenses	$ 145,760	$ 131,987	$ 3,899,589	$ 4,177,336	$ 90,481	$ 130,022	$ 2,986,191	$ 3,206,694

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows from/(for) Operating Activities:		
Change in Net Assets	$ 1,084,647	$ (693,210)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from/(for) Operating Activities:		
Depreciation and Amortization	239,418	202,251
Loss on Disposal of Fixed Assets	879	-
(Increase)/Decrease in Assets:		
Accounts Receivable	(88,206)	(50,025)
Promises to Give	(716,886)	293,957
Prepaid Expenses	2,044	(1,040)
Increase/(Decrease) in Liabilities:		
Accounts Payable	(7,419)	70,988
Accrued Vacation and Salaries	15,274	(40,480)
Deferred Revenue	123,688	(41,400)
Net Cash Flows from/(for) Operating Activities	$ 653,439	$ (258,959)
Net Cash flows (for) Investing Activities:		
Proceeds from Sale of Fixed Assets	$ -	$ 1,438
Purchase of Fixed Assets	(452,623)	(260,448)
Net Cash Flows (for) Investing Activities	$ (452,623)	$ (259,010)
Net Increase/(Decrease) in Cash and Cash Equivalents	$ 200,816	$ (517,969)
Cash and Cash Equivalents at Beginning of Period	1,674,030	2,191,999
Cash and Cash Equivalents at End of Period	$ 1,874,846	$ 1,674,030

Supplemental Disclosures:

a) No interest or income taxes were paid during the years ended December 31, 2023 and 2022.

(See Accompanying Notes and Auditor's Report)

(1) ORGANIZATION:

Healthy Building Network, currently rebranding as Habitable, 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 (HBN) has a vision that all people and the planet thrive when the environment is free of hazardous chemicals. Our mission is to advance human and environmental health by improving hazardous chemical transparency and inspiring product innovation. We achieve this through our five key strategies: 1) Build capacity for informed decisions, 2) Drive market demand and adoption, 3) Increase transparency and public disclosure, 4) Reduce chemicals of concern use, and 5) Decrease exposures to toxic chemicals. 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 200,000 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.

- The Safer Chemistry Impact Fund (SCIF) advances science-based, data-driven solutions to systematically eliminate hazardous chemicals and replace them with verified safer alternatives. SCIF empowers the supply chain with the infrastructure, tools, and guidance needed to successfully navigate the transition to safer chemistry.

3. Capacity-Building Education

HBN's primary community of practice and education program is a national initiative supporting affordable housing leaders who are improving human health by using less toxic building materials. Our 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. The program 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.

Little Things Matter (LTM) is fiscally sponsored by HBN. The program's primary goal is to inform people about the impact of toxic chemicals on their health, with a particular focus on children and disease prevention. LTM's unique approach involves creating videos and other content to explain complex environmental health topics in a way that is accessible to the general public.

(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.

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

(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.

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.

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

(b) Revenue Recognition: (Continued)

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). 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 online educational databases. Program revenue is recognized in the year to which the revenue is earned. Deferred program revenues at December 31, 2023 and 2022 were $453,670 and $329,982, 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, 2023 or 2022.

(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, 2023 and 2022 for the following programs:

	2023	2022
Program Services - Purpose Restricted:		
Safer Chemistry Impact Fund	$ 537,773	$ -
ChemFORWARD	252,166	171,970
Affordable Housing Project	200,000	461,670
Pharos	75,000	25,000
Research	75,000	62,500
Little Things Matter	18,372	-
Single Use Materials Decelerator	-	1,000
Subtotal - Purpose Restricted	$ 1,158,311	$ 722,140
Time Restricted	650,000	167,000
Total Net Assets with Donor Restrictions	$ 1,808,311	$ 889,140

(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:

	2023	2022
Program Services - Purpose Restricted:		
Safer Chemistry Impact Fund	$ 462,227	$ -
ChemFORWARD	294,804	542,421
Affordable Housing Project	261,670	282,500
Pharos	70,000	110,000
Research	62,500	50,000
Little Things Matter	4,128	-
Single Use Materials Decelerator	2,580	289
Diversity, Equity and Inclusion	-	200,000
Subtotal - Purpose Restricted	$ 1,157,909	$ 1,185,210
Time Restricted	167,000	25,000
Total Net Assets Released from Restrictions	$ 1,324,909	$ 1,210,210

(e) Contributed Nonfinancial Assets:

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, except for donated equipment, which is recorded as revenue in the period received, and the asset is depreciated over its estimated useful life. Donated legal services of $18,130 and $7,000 were recognized as contributed nonfinancial assets in the financial statements for the years ended December 31, 2023 and 2022, respectively.

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

(f) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, administration, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Organization's mission. Administration costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

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 to give, prepaid expenses, accounts payable, deferred revenues, and accrued expenses.

(i) Right-of-Use ("ROU") Assets (Operating and Finance Leases):

A right-of-use asset is measured at the commencement date of a lease at the amount of the initially measured liability plus any lease payments made to the lessor before or after the commencement date, minus any lease incentives received, plus any initial direct costs. This is completed for leases greater than twelve (12) months in duration. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received.) Operating lease payments are recognized on a straight-line basis over the lease term. Finance Lease ROU assets are amortized on a straight-line basis of the shorter of the lease term or the remaining useful life of the asset.

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

(j) Lease Liability:

The Organization accounts for leases in accordance with FASB ASC Topic 842. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recognized when incurred.

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following the lease term, purchase options or amounts that are probable of being owed under a residual value guarantee.

The Organization implemented controls and key system functionality to enable the preparation of financial information in accordance with the provisions of FASB ASC Topic 842 and elected to apply the following practical expedients:

- In calculating the right-of-use assets and lease liability, the Organization has elected to combine lease and non-lease components.

- As an accounting policy, the Organization has elected to apply the short-term lease exception to all leases having initial terms of 12 months or less and recognizes rent expense on a straight-line basis over the lease term.

- As an accounting policy, the Organization has elected the risk-free discount rate to be applied to all leases.

(k) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets or to total net assets from prior years.

(l) Change in Accounting Standard:

On January 1, 2023, the Organization adopted FASB ASU 2016-13, Financial Instruments - Credit Losses (Topic *326): Measurement of Credit Losses on Financial Instruments*, and all related subsequent amendments thereto. This Accounting Standard Update (ASU) replaced the incurred loss method of measuring financial assets (the impairment loss model) with an expected loss method, which is referred to as the current expected credit loss (CECL) method. The current expected credit loss method requires an estimate of credit losses over the life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts.

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

(l) Change in Accounting Standard: (Continued)

For the Organization, the ASU applies to the measurement of its trade receivables. Accounts receivable are now presented by using an allowance for credit losses to reduce the receivables balance to the net amount expected to be collected over the lives of the receivables. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements, but did change how the allowance for credit losses is determined.

(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.

	2023	2022
Financial Assets at Year End:		
Cash and Cash Equivalents	$ 1,874,846	$ 1,674,030
Accounts Receivable	149,614	61,408
Promises to Give	1,194,447	477,561
Total Financial Assets	$ 3,218,907	$ 2,212,999
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Non-current Promises to Give	250,000	126,500
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 2,968,907	$ 2,086,499

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

(4) ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Healthy Building Network performed an evaluation of uncertain tax positions for the year ended December 31, 2023, 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, 2023, the statute of limitations for tax years 2020 through 2022 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, 2023, 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:

	2023	2022
Checking Account - Interest Bearing	$ 245,004	$ 58,118
Checking Account - Non-Interest Bearing	238,691	151,514
Savings Accounts	876,723	720,649
Money Market Accounts	514,428	743,749
Total	$ 1,874,846	$ 1,674,030

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, 2023 and 2022, $5,197 and $151,435, respectively, of the bank balances were deposited in excess of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) program limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Organization has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

(6) ACCOUNTS RECEIVABLE AND PROMISES TO GIVE:

Accounts Receivable

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

	2023	2022
Contracts and Program Fees	$ 149,247	$ 58,241
Reimbursable Expenses	367	3,167
Total Accounts Receivable	$ 149,614	$ 61,408

Accounts receivable are reported at the net amount expected to be collected, which is the amount the Organization has an unconditional right to receive less management's estimate of amounts that may not be collectible (the allowance for credit losses). The Organization uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has remained consistent with prior years.

In determining the allowance for credit losses, the Organization separates its accounts receivable into risk pools based on their aging and type. In determining the amount of the allowance, the Organization develops a loss rate for each risk pool. Expected credit losses are estimated using three-year historical loss information due to the make-up of the receivables during the historical period being similar to the receivables outstanding at year end. The Organization adjusts its calculated historical loss rates when needed relative to current economic conditions.

Receivables are evaluated for potential credit loss based on three aging categories: current, performing, and nonperforming. Current receivables are those for which the participants and funding sources remain current with all contractual terms. Performing receivables are those in which the participants and funding sources are not current with all contractual terms but have made payments within the last 60 days. Nonperforming receivables are those in which the participant and funding sources have defaulted on the contractual terms and no payments have been received for more than 60 days.

Trade receivables related to program service fees (i.e., subscriptions, consulting, etc.) are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses and a credit to accounts receivable, typically when no payments have been received for one year. Based on the analysis of each of the risk pools, there were no credit losses requiring recognition during the year ended December 31, 2023. Because the Organization does not require collateral, it is at credit risk for the balance of the accounts receivable as of December 31, 2023 and 2022.

(6) ACCOUNTS RECEIVABLE AND PROMISES TO GIVE: (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give. Promises to give at year end consisted of the following:

	2023	2022
Purpose Restricted	$ 680,000	$ 351,000
Time Restricted	500,000	90,000
Without Donor Restrictions	14,447	36,561
Total Promises to Give	$ 1,194,447	$ 477,561

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

	2023	2022
Less Than One Year	$ 944,447	$ 351,061
One to Five Years	250,000	126,500
Total	$ 1,194,447	$ 477,561

Concentrations of credit risk with respect to promises to give 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, 2023 and 2022, approximately ninety-four percent (94%) and ninety-two percent (92%), respectively, of the Organization's promises to give ($1,125,000 and $440,000) was due from three 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, 2023 and 2022 was $239,418 and $202,251, 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.

(7) FIXED ASSETS: (Continued)

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

December 31, 2023:

	Depreciable Life	Cost	Accumulated Depreciation	Net Book Value
Office Furniture and Equipment	3-7 years	$ 34,881	$ 16,973	$ 17,908
Chemical Hazard Assessments	3 years	1,137,951	487,648	650,303
Websites	3-4 years	150,538	148,802	1,736
Total		$ 1,323,370	$ 653,423	$ 669,947

December 31, 2022:

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

(8) OPERATING LEASES:

The Organization leases space as needed on a month-to-month basis. Total combined rental expense for the years ended December 31, 2023 and 2022 was $6,000 and $7,696, respectively. The Organization also rents storage space. Total rental fees related to the storage space for the years ended December 31, 2023 and 2022 were $360.

Quantitative Lease Disclosures Summary

The following summarizes certain presented and additional quantitative lease disclosures required under ASC Topic 842:

	2023	2022
Lease Cost		
Operating Lease Cost	$ -	$ -
Short-term Lease Cost	6,360	8,056
Variable Lease Cost	-	-
Total Lease Cost	$ 6,360	$ 8,056

(9) 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, 2023 and 2022 was $54,413 and $49,947, respectively.

(10) EMPLOYEE BENEFITS:

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

	2023	2022
Social Security and Medicare	$ 155,946	$ 136,186
Medical Insurance	240,671	210,641
Retirement	54,413	49,947
Unemployment	11,063	8,376
Workers Compensation Insurance	5,220	4,486
Paid Leave Tax	708	807
Total	$ 468,021	$ 410,443

(11) 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, 2023 and 2022, approximately fifty-three percent (53%) and thirty-seven percent (37%), respectively, of revenues, excluding donated services, were derived from grant and contribution revenues. For the years ended December 31, 2023 and 2022, approximately forty-two percent (42%) and fifty-seven percent (57%), respectively, of revenues, excluding donated services, were derived from contract revenues.

(12) RELATED PARTY TRANSACTIONS:

Healthy Building Network entered into contracts with board members that resulted in contract revenues of $28,500 and $415,424 for the years ended December 31, 2023 and 2022, respectively.

Various Board Members and their affiliated organizations gave contributions to the Healthy Building Network totaling $12,208 and $59,648 during the years ended December 31, 2023 and 2022, respectively. A Board Member's firm also provided contributed legal services in the amount of $18,130 and $7,000 during the years ended December 31, 2023 and 2022, respectively.

(13) FUNDRAISING:

Expenses in the amount of $131,987 and $130,022 were incurred for the purposes of fundraising during the years ended December 31, 2023 and 2022, respectively.

(14) SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 25, 2024, 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.

(15) CONTINGENCIES:

Contributions and Grants

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization's Board of Directors and management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors. The Organization receives grant revenues from foundations which are subject to financial and compliance audits by the granting agencies. As such, there exists a contingent liability for potential disallowed claims and questioned costs resulting from such audits. Management does not anticipate any significant adjustments as a result of such an audit.

Litigation

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