HEALTHY BUILDING NETWORK

WASHINGTON, DC

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

KENDALL, PREBOLA AND JONES
Certified Public Accountants
PO BOX 259
BEDFORD, PENNSYLVANIA 15522-0259
(814) 623-1880
FAX (814) 623-7548

I N D E X

Kendall, Prebola and Jones, LLC
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

133 MANN STREET, PO BOX 259, BEDFORD, PA 15522-0259 / (814) 623-1880

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Healthy Building Network as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kendall, Prebola and Jones
Certified Public Accountants

Bedford Pennsylvania
March 23, 2016

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 698,771	$ 379,171
Accounts Receivable	78,516	90,423
Promises Receivable	140,625	219,547
Prepaid Expenses	21,728	14,618
Total Current Assets	$ 939,640	$ 703,759
Fixed Assets:		
Office Equipment and Furniture	$ 21,218	$ 12,767
Less: Accumulated Depreciation	(11,490)	(7,642)
Total Fixed Assets	$ 9,728	$ 5,125
Other Assets:		
Security Deposits	$ 5,300	$ 9,080
TOTAL ASSETS	$ 954,668	$ 717,964
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 15,843	$ 75,651
Accrued Vacation and Salaries	52,506	51,268
Deferred Revenue	149,972	26,813
Deferred Rent Abatement	1,089	635
Total Liabilities	$ 219,410	$ 154,367
Net Assets:		
Unrestricted	$ 633,668	$ 202,842
Temporarily Restricted	101,590	360,755
Total Net Assets	$ 735,258	$ 563,597
TOTAL LIABILITIES AND NET ASSETS	$ 954,668	$ 717,964

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:						
Grants and Contributions	$ 575,920	$ 100,000	$ 675,920	$ 241,705	$ 390,000	$ 631,705
Contract Revenue	898,773	-	898,773	496,954	-	496,954
Program Fees	46,260	-	46,260	55,955	-	55,955
Interest	566	-	566	513	-	513
Donated Services	42,334	-	42,334	40,638	-	40,638
Net Assets Released from Restriction - Satisfaction of Program Restrictions	359,165	(359,165)	-	202,268	(202,268)	-
Total Revenues, Gains and Other Support	$ 1,923,018	$ (259,165)	$ 1,663,853	$ 1,038,033	$ 187,732	$ 1,225,765
Expenses:						
Program Services	$ 1,416,364	$ -	$ 1,416,364	$ 1,111,792	$ -	$ 1,111,792
Fundraising	44,780	-	44,780	75,701	-	75,701
Administration	31,048	-	31,048	30,345	-	30,345
Total Expenses	$ 1,492,192	$ -	$ 1,492,192	$ 1,217,838	$ -	$ 1,217,838
Change in Net Assets	$ 430,826	$ (259,165)	$ 171,661	$ (179,805)	$ 187,732	$ 7,927
Net Assets at Beginning of Period	202,842	360,755	563,597	382,647	173,023	555,670
Net Assets at End of Period	$ 633,668	$ 101,590	$ 735,258	$ 202,842	$ 360,755	$ 563,597

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Year Ended December 31, 2015				Year Ended December 31, 2014			
	Supporting Services				Supporting Services			
	Administration	Fundraising	Program Services	Total	Administration	Fundraising	Program Services	Total
Expenses:								
Salaries	$ 20,146	$ 31,660	$ 851,809	$ 903,615	$ 20,818	$ 51,245	$ 640,819	$ 712,882
Fringe Benefits and Payroll Taxes	4,385	6,851	186,318	197,554	4,301	10,608	131,548	146,457
Consultants and Contracted Services	2,500	-	95,228	97,728	-	-	126,736	126,736
Travel	-	1,033	53,498	54,531	-	1,519	24,275	25,794
Meetings and Conferences	933	-	37,799	38,732	801	-	24,837	25,638
Printing and Copying	-	173	3,185	3,358	-	552	-	552
Professional Fees	831	1,277	61,569	63,677	2,030	5,071	79,418	86,519
Supplies and Expense	164	265	15,290	15,719	141	389	4,700	5,230
Postage and Shipping	6	41	649	696	4	123	125	252
Telephone and Internet	610	977	30,502	32,089	599	1,490	21,777	23,866
Website	-	155	13,447	13,602	-	-	1,995	1,995
Dues, Subscriptions and Publications	34	52	3,724	3,810	27	564	3,345	3,936
Equipment Rental and Maintenance	29	49	1,301	1,379	14	30	376	420
Rent	952	1,538	40,411	42,901	1,218	3,144	38,743	43,105
Insurance	227	349	9,783	10,359	291	727	9,010	10,028
Depreciation	85	135	3,628	3,848	71	166	2,066	2,303
Other Expense	111	171	5,576	5,858	-	-	-	-
Bank Service Charges and Fees	35	54	2,647	2,736	30	73	2,022	2,125
Total Expenses	$ 31,048	$ 44,780	$ 1,416,364	$ 1,492,192	$ 30,345	$ 75,701	$ 1,111,792	$ 1,217,838

(See Accompanying Notes and Auditor's Report)

HEALTHY BUILDING NETWORK
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Year Ended December 31, 2015	Year Ended December 31, 2014
Change in Net Assets	$ 171,661	$ 7,927
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided by/(Used) in Operating Activities:		
Depreciation Expense	3,848	2,303
Accounts Receivable - (Increase)/Decrease	11,907	(11,956)
Promises Receivable - (Increase)/Decrease	78,922	(52,096)
Prepaid Expenses - (Increase)/Decrease	(7,110)	(4,399)
Security Deposits - (Increase)/Decrease	3,780	(4,800)
Accounts Payable - Increase/(Decrease)	(59,808)	52,301
Accrued Vacation and Salaries - Increase/(Decrease)	1,238	3,586
Deferred Revenue - Increase/(Decrease)	123,159	3,255
Deferred Rent Abatement - Increase/(Decrease)	454	(2,542)
Net Cash Flows Provided by/(Used) in Operating Activities	$ 328,051	$ (6,421)
Investing Activities		
Acquisition of Office Equipment and Furniture	$ (8,451)	$ (4,094)
Net Cash Flows Provided by/(Used) in Investing Activities	$ (8,451)	$ (4,094)
Net Increase/(Decrease) in Cash	$ 319,600	$ (10,515)
Cash and Cash Equivalents at Beginning of Period	379,171	389,686
Cash and Cash Equivalents at End of Period	$ 698,771	$ 379,171

Supplemental Disclosures:

a) No interest or income taxes were paid during years ended December 31, 2015 and 2014.

(See Accompanying Notes and Auditor's Report)

(1) ORGANIZATION:

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

HBN is the leading national organization advocating health-based, green building standards that reduce the use of highly toxic chemicals in building materials. HBN's mission is to transform the market for building materials to advance best environmental, human health and social practices.

HBN engages in the environmental education of the public, with a focus on promoting the demand for and manufacture of healthier building materials as an integral part of green building strategies. This work consists largely of conducting research into the chemical composition of construction materials, finishes and products - and evaluating their appropriateness from the perspective of potential environmental, health and social impacts, as well as the development of web applications and tools that make this data widely available to and usable by building owners, architects, designers and others who influence the building materials market. HBN also works to establish healthfulness as an imperative of building product evaluation criteria.

BASIC PROGRAMS

The Pharos Project

The Pharos Project (Pharos) is HBN's primary strategy in support of its mission to transform the building products market to promote best environmental, health and social justice practices. Pharos is an online system, comprised of three (3) main parts: Building Product Library, Chemical and Material Library, and Certifications. Together, they provide subscribers to Pharos with a wealth of information on the chemical composition of specific and generic building materials, and the health and environmental hazards associated with those ingredients. The Chemical and Material Library is an extensive database of chemical hazards, compiled from over 40 authoritative governmental and nongovernmental lists. In addition, product manufacturers and other Pharos users can access chemical assessments developed under the GreenScreen for Safer Chemicals in Pharos.

The public can also access information essential to understanding building materials and the human and environmental health hazards associated with their contents. Descriptions for building product categories summarize the key issues for each. The Pharos' blog, The Signal, highlights new research, policy issues and market developments.

Data from the Pharos Chemical and Material Library now powers a number of strategic private sector initiatives that are calling attention to the use of toxic chemicals in the building product supply chain, including BlueGreen Alliance's ChemHAT app for workers, Health Product Declaration (HPD) Collaborative's HPD Builders, the Quartz Project's Common Product Profiles and Google's Portico.

(1) ORGANIZATION: (Continued)

BASIC PROGRAMS (Continued)

Portico

Google's Portico is a customized building product evaluation and library system engineered by HBN, in collaboration with Google's Real Estate and Workplace Services team. Google teams use Portico to select building materials consistent with the corporation's transparency and health criteria for construction projects worldwide. It is now used by project teams in 20 countries to screen building products for chemical hazards on more than 20 million square feet of real estate.

CompAIR

Pharos now includes CompAIR, a calculator that allows users to measure and compare the volatile ingredients in products as applied in a building project. CompAIR takes into account hazardous VOCs exempted by the leading VOC certifications, to give users a more accurate picture of product's health profile.

Data Commons

The advanced information and communication technologies that HBN pioneered in the building industry have the potential to drive greater collaboration and transformation in other sectors. That is why HBN is leading an effort to create the Data Commons Open Innovation Platform, a platform for the most up-to-date, global information regarding chemical health hazards, and how they apply to the products we manufacture, specify and use. The informed choices resulting from this information will lead to market preference for healthier products. This change will shift manufacturer incentives to create healthier materials and chemicals, drive innovation, feed entrepreneurship, and redirect today's chemists, materials scientists, engineers and inventors in the service of healthier outcomes.

Building Materials Research

Over the last 15 years, HBN's research department has become the go-to source for data and analysis of building materials and health.

In 2015, HBN collaborated with Flux Factory, Google and thinkstep on the Quartz Project, an effort to create health hazard and life-cycle profiles for 100 common building materials. Quartz Common Products are the first open data set in the building products sector. HBN lead the development of the research methodology, and researched hundreds of specific, name-brand products to determine the content of common products. Health hazards for Quartz profiles are pulled from the Pharos Chemical and Material Library.

HomeFree for Healthy and Affordable Building Materials

HomeFree is a national initiative, supporting affordable housing leaders who are improving human health by using less toxic building materials. HomeFree comprises an online resource providing critical information to the affordable housing community, as well as six (6) communities of practice, spotlighting on-the ground demonstration projects across the country.

(1) ORGANIZATION: (Continued)

BASIC PROGRAMS (Continued)

HomeFree for Healthy and Affordable Building Materials (Continued)

Low-wealth families across the United States suffer disproportionally from exposures to toxic substances used in building products. These exposures result from chemicals that are released into the air and dust of homes and schools during routine occupancy and as part of maintenance, renovation, and construction projects. Exposures also result from toxic releases into low income communities located adjacent to the factories that manufacture these products, as well as the dumps, incinerators and even recycling facilities that process these materials after their useful life. Children are particularly vulnerable and likely to be impacted by these toxins. Factory and construction workers are subject to the highest levels of toxic exposures, so specifying healthier materials reduces negative impacts well beyond the walls of the building. Affordable housing providers seeking to use less toxic building products face many obstacles, from a lack of full product disclosure to the affordability of healthier products.

Healthy Building News and The Signal

Our influential electronic publications, Healthy Building News and The Signal reach thousands of green building professionals, and are key resources for opinion leaders in the field. Healthy Building News focuses on market trends and policy issues that impact the green building community. The Signal communicates our latest research findings, and is often the first to raise new issues of concern.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Organization are summarized below:

(a) Accounting Method:

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

(b) Revenue Recognition:

Grants and Contributions

The Organization has adopted Statement of Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made.* As such, grants and contributions are recognized as revenue when they are received or unconditionally pledged.

All grants and contributions are available for unrestricted use unless specifically restricted by the donor. Grants, contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met.

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

(b) Revenue Recognition: (Continued)

Grants and Contributions (Continued)

Other grants, contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Contract and Program Revenue

Contract revenues are considered to be exchange transactions, and are recognized as the services are completed. Program fees consist of subscription revenues to the Pharos online educational database and program fees for training sessions provided in relation to disseminating healthy building materials information. Program revenue is recognized in the year to which the revenue is earned. Deferred program revenues at December 31, 2015 and 2014 were $149,972 and $26,813, respectively.

(c) Corporate Taxes:

The Organization is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Accordingly, no income taxes have been provided for in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

(d) Grants:

Grant revenues result primarily from foundation grants. The grants are subject to audit by the funding organizations. Such audits could result in a request for reimbursement by the Organization for expenditures disallowed under the terms and conditions of the appropriate grantor.

(e) Net Assets:

The Organization has adopted Statement of Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-profit Organizations.* Under FASB ASC No. 958-205-05, the Organization is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

(e) Net Assets: (Continued)

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor imposed conditions which have been met in the current year and net assets subject to donor imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available at December 31, 2015 and 2014 for the following programs:

	December 31, 2015	December 31, 2014
Program Services - Purpose Restricted:		
Pharos Project/Data Commons	$ 50,000	$ 174,334
Affordable Housing Project	-	126,421
California Wellness Foundation Project	-	50,000
Organizational Development	-	10,000
Avoided Hazard Index Project	51,590	-
Total	$ 101,590	$ 360,755

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors:

	December 31, 2015	December 31, 2014
Program Services - Purpose Restricted:		
Pharos Project/Data Commons	$ 124,334	$ 171,916
Affordable Housing Project	126,421	3,579
California Wellness Foundation Project	50,000	26,773
Organizational Development	10,000	-
Avoided Hazard Index Project	48,410	-
Total	$ 359,165	$ 202,268

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Organization did not have any permanently restricted net assets as of December 31, 2015 and 2014.

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

(f) Donated Services and Materials:

Donated legal and consulting services and supplies of $42,334 and $40,638 were recognized in the financial statements for the years ended December 31, 2015 and 2014, respectively. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed services and promises to give services that do not meet the above criteria are not recognized.

(g) Functional Expenses:

Salaries and related expenses are allocated to program services and supporting services based on time employees spend on each function. Expenses that are directly allocable to program services or supporting services are charged accordingly.

(h) Use of Estimates:

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

(i) Fair Value of Certain Financial Instruments:

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

(3) ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC No. 740-10, *Accounting for Uncertainty in Income Taxes,* which is an interpretation of ASC 740’s, *Accounting for Income Taxes*. FASB ASC No. 740-10 clarifies the accounting for uncertainty in income taxes recognized in the Organization’s financial statements in accordance with ASC 740’s and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC No. 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization’s tax return to determine whether the tax positions have a “more-likely-than-not” probability of being sustained by the applicable tax authority.

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2015, 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, 2015, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns.

(3) ACCOUNTING FOR UNCERTAIN TAX POSITIONS: (Continued)

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, 2015, the Organization had no accruals for interest and/or penalties.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

(4) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of December 31, 2015 and 2014 totaled $698,771 and $379,171, respectively, and consisted of the following:

	December 31, 2015	December 31, 2014
Checking Account - Interest Bearing	$ 266,205	$ 268,492
Money Market Accounts	432,566	110,679
Total	$ 698,771	$ 379,171

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. Certificates of Deposit with original maturities in excess of three months are considered to be investments. The Healthy Building Network did not have any Certificates of Deposit as of December 31, 2015 and 2014.

At times during the year, Healthy Building Network maintained cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF) limits. The Organization has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

(5) ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable:

Accounts receivable as presented are considered fully collectible by management. Balances at December 31, 2015 and 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Contracts and Program Fees	$ 78,516	$ 90,423
Total	$ 78,516	$ 90,423

The Organization's accounts receivable consists of unsecured amounts due from parties whose ability to pay is subject to changes in economic conditions. The Organization does not require collateral and was at risk for the balance of the accounts receivable at December 31, 2015 and 2014. Management believes the risk related to these balances is minimal.

(5) ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Accounts Receivable: (Continued)

Contracts and other receivables are recognized as revenue on the accrual basis of accounting at the time that the program activity has occurred. Accounts receivable are stated at the amount HBN expects to collect. Credit is extended for a period of 90 days with no interest accrual at which time payments are considered delinquent. The balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

Promises Receivable:

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give. Balances at December 31, 2015 and 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Unrestricted	$ 140,625	$ 9,547
Purpose Restricted	-	210,000
Total Promises Receivable	$ 140,625	$ 219,547

For the years ended December 31, 2015 and 2014, respectively, all promises receivable were due to be received in one year or less.

(6) FIXED ASSETS:

Furniture and office equipment are recorded at cost. Contributed assets are recorded at fair value. If an expenditure in excess of $1,000 results in an asset having an estimated useful life, which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended December 31, 2015 and 2014 was $3,848 and $2,303, respectively. Maintenance and repairs are charged to expenses as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Classification of fixed assets and their estimated useful lives are as summarized below:

December 31, 2015:

	Cost	Accumulated Depreciation	Net Book Value	
Office Furniture and Equipment	$ 21,218	$ 11,490	$ 9,728	3-7 years
Total Fixed Assets	$ 21,218	$ 11,490	$ 9,728	

(6) FIXED ASSETS: (Continued)

December 31, 2014:

	Cost	Accumulated Depreciation	Net Book Value	
Office Furniture and Equipment	$ 12,767	$ 7,642	$ 5,125	3-7 years
Total Fixed Assets	$ 12,767	$ 7,642	$ 5,125	

(7) RETIREMENT PLAN:

Employees of the Organization are covered under an optional contributory retirement plan that covers substantially all employees. The Organization does not provide employer matching contributions. There is no unfunded past service liability. Therefore, there was no expense for the years ended December 31, 2015 and 2014.

(8) OPERATING LEASES AND COMMITMENTS:

The Organization leased space in three locations: Washington, DC, Vermont and Maine.

Washington, DC - Connecticut Avenue:

The Organization entered into a lease agreement on December 18, 2014, for the rental of office space located at 1710 Connecticut Avenue NW, Washington DC. The lease term began on April 1, 2015, and is scheduled to expire on March 31, 2020. Monthly rent payments of $2,400 began on April 1, 2015, which then changed to $2,340 per month on July 1, 2015. As a requirement of this lease, a security deposit in the amount of $4,800 was made. This lease was entered into jointly with the Institute for Local Self-Reliance. These payment amounts represent the Healthy Building Network's share of the lease. The Organization is obligated to pay a portion of the annual increase in operating cost of the leased property. An estimate of the annual increase in operating cost has not been included in the following table. Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes scheduled rent increases, be recorded on a straight-line basis over the term of the lease. Accordingly, $1,089 of future rent payments have been recorded as a current liability to adjust the actual rent paid to conform to the straight-line basis. The rental expense related to this lease for the year ended December 31, 2015, was $22,329. As of December 31, 2015, future minimum rental obligations required under this lease, net of rent abatement are as follows:

Year Ending December 31,	Rent Obligation	Rent Abatement	Net Obligation
2016	$ 29,520	$ (913)	$ 28,607
2017	29,520	(198)	29,322
2018	29,520	535	30,055
2019	29,520	1,287	30,807
2020	7,371	378	7,749
Total	$ 125,451	$ 1,089	$ 126,540

(8) OPERATING LEASES AND COMMITMENTS: (Continued)

Washington, DC - S Street:

Prior to the above lease, the Organization leased office space located at 2001 S Street, NW, Washington, DC, which expired on March 31, 2015. This lease was entered into jointly with the Institute for Local Self-Reliance who utilized a portion of the space in this office. Rental expense related to this lease for the years ended December 31, 2015 and 2014 was $6,961 and $30,325, respectively.

Vermont:

The Organization entered into a lease, at a monthly cost of $830, for the rental of office space located in Vermont. This lease is for a one-year period with an option to extend the lease for an additional one-year period at the end of the lease year, which is April 30, 2016.

Maine:

HBN leases this space on a month to month basis. The monthly cost in 2015 and 2014 was $275 per month.

Total rental expense for the years ended December 31, 2015 and 2014 was $42,901 and $43,105, respectively.

(9) EMPLOYEE BENEFITS:

Fringe Benefits and Payroll Taxes:

The fringe benefits and payroll taxes for the years ended December 31, 2015 and 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Social Security	$ 70,436	$ 55,512
Medical Insurance	120,888	85,253
Unemployment	3,348	2,820
Workers Compensation	2,882	2,872
Total	$ 197,554	$ 146,457

(10) CONCENTRATIONS:

Based on the nature and purpose of the Organization, significant revenues are received through parties interested in establishing healthier building practices. In addition, approximately fifty-five percent (55%) of current year revenues were derived from contract revenues.

(11) RELATED PARTY TRANSACTIONS:

The Institute for Local Self-Reliance (ILSR) and the Healthy Building Network (HBN) share office space that is separately leased from a third party. ILSR also charged HBN for a portion of one staff person's salary who provided services to HBN through May 31, 2015. In addition, some operating costs, such as telephone, supplies and equipment maintenance were paid by ILSR and reimbursed by HBN. These costs amounted to $41,645 during the year ended December 31, 2015, and $90,625 during the year ended December 31, 2014.

The Executive Director of the Organization is also a Board Member of the Health Product Declaration Collaborative (HPDC). In 2013, the Organization entered into a Technology License and Services agreement with HPDC to advance and maintain the Health Product Declaration (HPD), an impartial tool for accurate reporting of product contents and related health concerns. The contract is for the period November 18, 2013 through November 17, 2016. For the years ended December 31, 2015 and 2014, respectively, the Organization earned $15,000 and $200,000 in contract revenues from HPDC. As of December 31, 2015 and 2014, respectively, the Organization had a receivable of $3,333 and $19,000 from HPDC. Another organization with which a Board Member is affiliated provided contract revenues in the amount of $10,692 and $15,000, respectively, to HBN during the 2015 and 2014 years.

Various Board Members and their affiliated organizations gave contributions to the Healthy Building Network totaling $41,250 and $11,450 during the years ended December 31, 2015 and 2014, respectively. A Board Member's firm also provided contributed legal services in the amount of $25,715 and $16,538, respectively, during the years ended December 31, 2015 and 2014.

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

(12) FUNDRAISING:

Expenses in the amount of $44,780 and $75,701 were incurred for the purposes of fundraising during the years ended December 31, 2015 and 2014, respectively.

(13) SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 23, 2016, 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.

(14) CONTINGENCIES:

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization's board of directors and management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

(15) CONSOLIDATION:

Management has applied the principles of ASC 958-810-15, *Reporting of Related Entities by Not-for-Profit Organizations* in assessing the need to consolidate the financial statements of HBN with those of the Institute for Local Self-Reliance. Under ASC 958-810-15, consolidation should occur if both an economic interest between the organizations and control by a majority of common board members exists. Based on the criteria stipulated in the pronouncement, management has determined that financial statement consolidation is not appropriate for the years ended December 31, 2015 and 2014. Therefore, the accompanying financial statements reflect only the activity and net assets of the Healthy Building Network.