

Industrialized Buildings Commission

◆ An Interstate Compact ◆

Suite 210
505 Huntmar Park Drive
Herndon, Virginia 20170
(703) 481-2022
(703) 481-3596 FAX
www.interstateibc.org

August 9, 2013

Mr. Stephen P. Hernick
State Building Official
Minnesota Department of Labor and Industry
Construction Code and Licensing Division
443 Lafayette Road
St. Paul, MN 55155-4341

Dear Mr. Hernick:

Copies of the IBC audited financial statement for the year ended June 30, 2012, and of the IBC annual report for fiscal year 2012 are enclosed. In accordance with Articles VI and IX of the Interstate Compact on Industrialized/Modular Buildings, the Commission must make the governor and legislature of each compacting state a report covering its activities for the preceding year and the report of the audited financial statement must be included in and become part of the annual report of the Commission.

Do not hesitate to contact me if you have any questions or if I can be of any assistance in preparing the reports for the governor and legislature.

Sincerely,



N. Kevin Egilmez
Project Manager

Enclosures

cc: R. Vogt

2013 AUG 13 AM 7:39
121101 LINDSEY
JUDGEM

Industrialized Buildings Commission

2012 ANNUAL REPORT

About the Commission

Industrialized Buildings Commission (IBC) was created in 1991 when New Jersey became the third state after Minnesota and Rhode Island to enact the *Interstate Compact for Industrialized/Modular Buildings*. IBC, which is responsible for carrying out the activities of the compact, is comprised of governor-appointed state officials from member states and a representative from the industrialized (modular) buildings industry.

North Dakota became the fourth state to join the *Interstate Compact for Industrialized/Modular Buildings* on April 19, 2011. North Dakota had already entered into an interim reciprocity agreement with IBC effective August 1, 2003 which allows a state to participate in the IBC program prior to becoming a full member.

In 2012, Stephen P. Hernick, State Building Official with the Minnesota Department of Labor and Industry, served as chairman of the Commission. Michael Baier, Bureau Chief with the New Jersey Department of Community Affairs served as vice-chairman, and John Leyden, State Building Commissioner with Rhode Island Department of Administration, as treasurer.

An agreement reached between Minnesota and Wisconsin permits industrialized (modular) buildings manufactured in Minnesota and bearing an IBC certification label to be sited in Wisconsin.

Mission Statement – Industrialized Buildings Commission supports and enhances productivity, innovation, affordability, and international competitiveness in the American construction industry through nationwide uniformity in codes, rules, regulations, and procedures and the elimination of duplication in reviews, inspections, and fees while assuring quality, durability, and safety in the built environment.

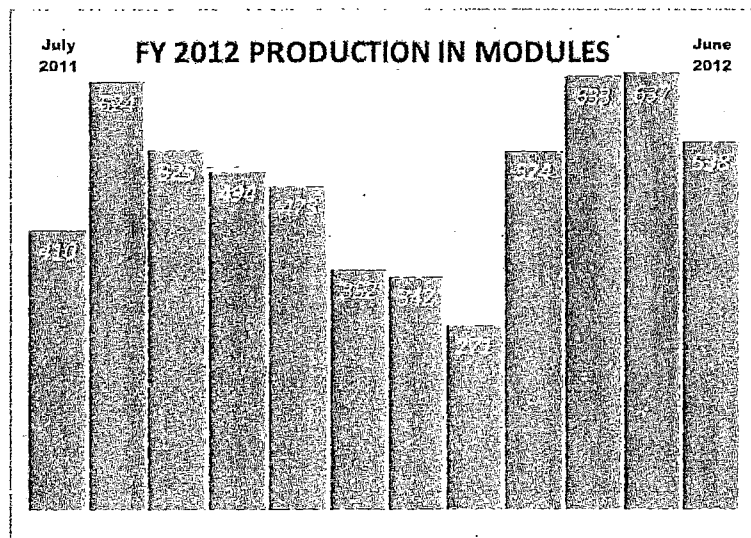
The purpose of the compact is to promote uniformity in state industrialized (modular) building

programs – from design and manufacture to delivery and installation – and to streamline regulations by eliminating overlapping reviews and inspections by multiple jurisdictions all in a manner to assure interstate reciprocity. Member states are able to improve efficiency and reduce costs by consolidating similar services while continuing to operate, staff and enforce industrialized (modular) buildings programs at the state level. Improved compliance through uniform rules, regulations and procedures; better enforcement through exchange of information; and reduced costs through elimination of redundant reviews and inspections are just some of the compact's benefits.

The compact's rules, regulations, and procedures are developed by the Rules Development Committee (RDC) and recommended to IBC for adoption. RDC is a consensus-based committee with representatives from state governments, consumers, residential and commercial manufacturers, and a private evaluation and inspection agency.

On May 1, 2011, IBC began a transition to establish and maintain its own offices with a fulltime staff. Previously, National Conference of States on Buildings Codes and Standards, Inc. (NCSBCS) served as IBC secretariat providing administrative and secretarial support since 1992.

The Year in Review



Over 290 manufacturing facilities in 40 states and Canadian provinces are approved to build industrialized buildings and building components under the IBC program. During the current period IBC certification labels were attached to over 6,000 modules.

One of IBC's functions is to assess performances of its 11 designated evaluation and inspection agencies including investigating the adequacy of each agency's procedures, personnel selection and training, and engineering evaluation of plans and specifications. IBC state and secretariat

auditors examine compliance assurance programs, review design manuals and conduct on-site audits to evaluate the performance of designated agencies and their inspectors. IBC personnel also assist states in the investigation of consumer complaints.

IBC issues and renews certifications for designated agency technical personnel. In 2012, there were 121 industrialized buildings inspectors and 71 plans examiners with current certifications. IBC holds semiannual mandatory briefing sessions for certified personnel at various locations in the eastern half of the United States to discuss recent code adoptions and amendments, application of specific code provisions or referenced standards, and general areas of concern.

Program Highlights

North Dakota Ratifies Compact



On April 19, 2011, Governor Jack Dalrymple (pictured) signed Senate Bill 2284 into law making North Dakota the fourth state to join the compact. North Dakota had participated in the program since August 2003 through an interim reciprocity agreement after implementing a statewide industrialized buildings program (Third-Party Inspection Program) based on IBC's *model rules and regulations* and *uniform administrative procedures*. An interim reciprocity agreement enables a state to participate in the program before enacting legislation and becoming a full compact member.

Streamlining the Nation's Building Regulatory Process

In 1996, IBC was one of 55 national organizations and federal agencies to support "Streamlining the Nation's Building Regulatory Process" project initiated by NCSBCS. In April 1998, the *Interstate Compact for Industrialized/Modular Buildings* was approved as a streamlining model. The compact's model legislation may be viewed on IBC website at www.InterstateIBC.org.

Financial Statements

IBC uses a portion of the revenues generated from label sales to defray its operating expenses while distributing up to 75 percent of the label fee to participating states to fund their program related activities. IBC has been financially self-sufficient since 1996 when member states made the program mandatory and, other than the initial start up funds, has not required any state appropriations.

BALANCE SHEETS ASSETS

	June 30, 2012	June 30, 2011
CURRENT ASSETS		
Cash	\$ 88,180	\$ 82,539
Investments	324,652	323,302
Prepaid expenses	5,475	-
Total Current Assets	418,307	405,841
PROPERTY AND EQUIPMENT		
Property and equipment	19,764	14,587
Less: accumulated depreciation	(15,821)	(14,487)
Property and Equipment, net	3,943	-
OTHER ASSETS		
Security deposit	2,090	-
TOTAL ASSETS	\$ 424,340	\$ 405,841

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 39,356	\$14,868
Accrued vacation	16,407	16,027
Total Current Liabilities	55,763	30,895
NET ASSETS		
Unrestricted net assets:		
Undesignated	118,577	124,946
Commission designated	250,000	250,000
Total Unrestricted Net Assets	368,577	374,946
TOTAL LIABILITIES AND NET ASSETS	\$ 424,340	\$ 405,841

IBC Commissioners

Stephen P. Hernick, Chair
State Building Official
Minnesota Dept. of Labor and Industry

John P. Leyden, Treasurer
State Building Commissioner
Rhode Island Dept. of Administration

Michael E. Baier, Vice-Chair
Chief, Bureau of Code Services
New Jersey Dept. of Community Affairs

Paul Govig
Director, Division of Community Services
North Dakota Dept. of Commerce

Robert A. Blatchford
Supervisor of Support Services
Dynamic Homes, Minnesota

RDC Members

James Rothman, Chairman PFS Corporation, WI
Barbara Bieganski Vanguard Modular, PA
Mark Blanke Dept. of State, NY
William Bryant Anne Arundel County, MD
Don Engle NRB (USA), PA
Ed Landon Dept. of Housing & Community Development, MD
Emory Rodgers Div. of Buildings and Fire Regulation, VA

IBC Designated Agencies

Action Building Inspection South Jordan, UT
Hilborn, Werner, Carter & Associates Clearwater, FL
Minn. Construction Codes & Licensing Division St. Paul, MN
Modular Code Consultants Camp Hill, PA
NTA Nappanee, IN
PFS Corporation Cottage Grove, WI
Progressive Engineering Goshen, IN
Pyramid1 New Paris, IN
RADCO Long Beach, CA
T. R. Arnold & Associates Elkhart, IN
A. N. Vendola New Britain, CT



For more information, contact:

Industrialized Buildings Commission
505 Huntmar Park Drive, Suite 210
Herndon, Virginia 20170
(703) 481-2022 | www.InterstateIBC.org



RIBIS, JONES & MARESCA, P.A.

Certified Public Accountants

10500 Little Patuxent Parkway
Suite 770
Columbia, Maryland 21044
(410) 884-0220
(301) 596-5451
Fax: (301) 596-5471

To the Board of Directors
Industrialized Buildings Commission

In planning and performing our audit of the financial statements of Industrialized Buildings Commission as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Industrialized Buildings Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Industrialized Buildings Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Industrialized Buildings Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, and others within Industrialized Buildings Commission, and is not intended to be, and should not be, used by anyone other than these specified parties.

Ribis, Jones & Maresca, P.A.

June 20, 2013



June 20, 2013

To the Board of Directors
Industrialized Buildings Commission
Washington, DC

We have audited the financial statements of Industrialized Buildings Commission for the year ended June 30, 2012, and we have issued our report thereon dated June 20, 2013. Professional standards require that we provide you with the following information related to our audit, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 14, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Industrialized Buildings Commission are described in note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year 2012. We noted no transactions entered into by Industrialized Buildings Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the allocation of functional expenses. Management's estimates are based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our audits we noted no known material misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to the report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Industrialized Buildings Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Industrialized Buildings Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

June 20, 2013
Industrialized Buildings Commission
Page 3

This information is intended solely for the use of the Board of Directors and management of Industrialized Buildings Commission and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation and courtesy extended to us by Industrialized Buildings Commission's Project Manager and Administrative Assistant. We will be pleased to meet with you to furnish any additional information you desire.

Very truly yours,

Rebis, James E. Maresca, P.A.

INDUSTRIALIZED BUILDINGS COMMISSION

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2012 AND 2011

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses, Year Ended June 30, 2012	5
Statement of Functional Expenses, Year Ended June 30, 2011	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 13



RIBIS, JONES & MARESCA, P.A.

Certified Public Accountants

10500 Little Patuxent Parkway
Suite 770
Columbia, Maryland 21044
(410) 884-0220
(301) 596-5451
Fax: (301) 596-5471

Independent Auditors' Report

To The Board of Directors
Industrialized Buildings Commission
Washington, DC

We have audited the accompanying statements of financial position of Industrialized Buildings Commission as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Industrialized Buildings Commission as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Industrialized Buildings Commission as of June 30, 2011, were audited by other auditors whose report dated September 5, 2012, expressed an unmodified opinion on those statements.

Ritro, James & Maesca, P.A.

Columbia, MD
June 20, 2013

**INDUSTRIALIZED BUILDINGS COMMISSION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011**

<u>ASSETS</u>		
	2012	2011
CURRENT ASSETS		
Cash	\$ 88,180	\$ 82,539
Investments	324,652	323,302
Prepaid expenses	5,475	-
Total Current Assets	418,307	405,841
PROPERTY AND EQUIPMENT		
Property and equipment	19,764	14,587
Less: accumulated depreciation	(15,821)	(14,587)
Property and Equipment, net	3,943	-
OTHER ASSETS		
Security deposit	2,090	-
Total Other Assets	2,090	-
TOTAL ASSETS	\$ 424,340	\$ 405,841
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 39,356	\$ 14,868
Accrued vacation	16,407	16,027
Total Current Liabilities	55,763	30,895
NET ASSETS		
Unrestricted net assets:		
Undesignated	118,577	124,946
Commission designated	250,000	250,000
Total Unrestricted Net Assets	368,577	374,946
TOTAL LIABILITIES AND NET ASSETS	\$ 424,340	\$ 405,841

See independent auditors' report and accompanying notes to financial statements.

**INDUSTRIALIZED BUILDINGS COMMISSION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
UNRESTRICTED REVENUE		
Label fees		
Label fees	\$ 416,243	\$ 312,715
Label fee reimbursement	(91,136)	(64,172)
Label fees, net	325,107	248,543
Investment income	1,394	3,373
Other revenue	7,251	8,090
Total Unrestricted Revenue	333,752	260,006
EXPENSES		
Program services:		
Rules and regulations	430	1,548
Certifications	4,614	7,742
Briefing sessions	18,413	15,463
Label control program	42,324	47,051
Library	29,417	35,071
Monitoring in-plant	37,092	29,364
Headquarters audits	9,277	837
Plan review	51,515	63,515
Total Program Services	193,082	200,591
Support services:		
Administrative	146,737	108,547
Marketing and outreach	302	11,721
Total Support Services	147,039	120,268
Total Expenses	340,121	320,859
CHANGE IN NET ASSETS	(6,369)	(60,853)
NET ASSETS, beginning of period	374,946	435,799
NET ASSETS, end of period	\$ 368,577	\$ 374,946

See independent auditors' report and accompanying notes to financial statements.

INDUSTRIALIZED BUILDINGS COMMISSION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services										Support Services	
	Rules and Regulations	Certifications	Briefing Sessions	Label Control Program	Library	Monitoring In-Plant	Headquarters Audits	Plan Review	Total Program Services	General and Administrative	Marketing and Outreach	Total
Salaries	\$ 225	\$ 2,418	\$ 7,010	\$ 21,289	\$ 15,414	\$ 19,333	\$ 3,915	\$ 22,804	\$ 92,408	\$ 43,849	\$ 158	\$ 136,415
Benefits and payroll taxes	106	1,138	3,299	10,021	7,255	9,100	1,843	10,734	43,496	18,889	74	62,459
Subtotal personnel expense	331	3,556	10,309	31,310	22,669	28,433	5,758	33,538	135,904	62,738	232	198,874
Accounting and audit	-	-	-	-	-	-	-	-	-	29,393	-	29,393
Bank fees	-	-	-	-	-	-	-	-	-	184	-	184
Computer support	4	41	119	361	262	328	66	387	1,568	745	3	2,316
Consulting fees	-	-	-	-	-	-	-	7,995	7,995	-	-	7,995
Depreciation	2	22	63	193	139	175	35	206	835	398	1	1,234
Equipment rental and maintenance	6	61	177	539	390	489	99	577	2,338	1,110	4	3,452
Insurance	-	-	-	-	-	-	-	-	-	4,626	-	4,626
Legal fees	-	-	-	-	-	-	-	-	-	15,186	-	15,186
Meeting expenses	-	-	1,773	-	-	-	-	-	1,773	-	-	1,773
Miscellaneous	27	288	834	2,533	1,834	2,300	466	2,713	10,995	5,216	19	16,230
Postage and delivery	1	11	33	99	72	90	18	106	430	203	1	634
Printing and supplies	-	-	-	1,694	-	-	-	-	1,694	1,725	-	3,419
Refunds	-	-	-	-	-	-	-	-	-	7,376	-	7,376
Rent	47	509	1,476	4,483	3,246	4,071	824	4,802	19,458	9,237	33	28,728
Storage	4	39	113	344	249	312	63	368	1,492	708	3	2,203
Taxes and licenses	-	-	-	-	-	-	-	-	-	93	-	93
Telephone	7	77	223	677	490	615	124	725	2,938	1,394	5	4,337
Travel and entertainment	-	-	3,263	-	-	196	1,807	-	5,266	6,218	-	11,484
Website	1	10	30	91	66	83	17	98	396	187	1	584
Total Expense	\$ 430	\$ 4,614	\$ 18,413	\$ 42,324	\$ 29,417	\$ 37,092	\$ 9,277	\$ 51,515	\$ 193,082	\$ 146,737	\$ 302	\$ 340,121

See independent auditors' report and accompanying notes to financial statements.

INDUSTRIALIZED BUILDINGS COMMISSION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program Services										Support Services	
	Rules and Regulations	Briefing Sessions	Label Control Program	Library	Monitoring In-Plant	Headquarters Audits	Plan Review	Total Program Services	General and Administrative	Marketing and Outreach	Total	
Salaries and related expenses	\$ 617	\$ 3,312	\$ 20,119	\$ 15,003	\$ 12,407	\$ 368	\$ 25,072	\$ 83,271	\$ 38,934	\$ 3,184	\$ 125,389	
Benefits and payroll taxes	280	1,611	9,779	6,998	5,811	202	11,840	39,121	19,705	1,750	60,576	
Subtotal personnel expense	897	4,923	29,898	22,001	18,218	570	36,912	122,392	58,639	4,934	185,965	
Accounting and audit	-	-	-	-	-	-	-	-	10,913	-	10,913	
Administration	651	2,819	17,153	13,070	11,146	267	22,196	72,391	8,247	2,528	83,166	
Consulting fees	-	-	-	-	-	-	4,407	4,407	6,052	-	10,459	
Insurance	-	-	-	-	-	-	-	-	8,300	-	8,300	
Miscellaneous	-	-	-	-	-	-	-	-	9,187	-	9,187	
Printing and production	-	-	-	-	-	-	-	-	1,415	-	1,415	
Refunds	-	-	-	-	-	-	-	-	5,528	-	5,528	
Travel and entertainment	-	-	-	-	-	-	-	1,401	266	4,259	5,926	
Total Expense	\$ 1,548	\$ 7,742	\$ 47,051	\$ 35,071	\$ 29,364	\$ 837	\$ 63,515	\$ 200,591	\$ 108,547	\$ 11,721	\$ 320,859	

See independent auditors' report and accompanying notes to financial statements.

**INDUSTRIALIZED BUILDINGS COMMISSION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,369)	\$ (60,853)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net appreciation in fair value of investments	1	5,684
Depreciation	1,234	-
(Increase) decrease in assets:		
Advance to NCSBCS	-	5,450
Prepaid expenses	(5,475)	-
Deposits	(2,090)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	24,488	(2,508)
Accrued vacation	380	16,027
Net Cash Provided (Used) By Operating Activities	12,169	(36,200)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,177)	-
Reinvested dividends and interest	(1,351)	(8,980)
Proceeds from sale of investments	-	50,000
Net Cash Provided (Used) by Investing Activities	(6,528)	41,020
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,641	4,820
CASH AND CASH EQUIVALENTS, beginning of year	82,539	77,719
CASH AND CASH EQUIVALENTS, end of year	\$ 88,180	\$ 82,539

See independent auditors' report and accompanying notes to the financial statements.

**INDUSTRIALIZED BUILDINGS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

Organization

Industrialized Buildings Commission ("IBC") is an interstate compact, created on January 18, 1992, by the passage of legislation in the States of New Jersey, Minnesota and Rhode Island. Since IBC's inception, two additional states, North Dakota and Wisconsin, have signed reciprocity agreements with IBC.

IBC's purpose is to support and enhance productivity, innovation, affordability and international competitiveness in the American construction industry through nationwide uniformity in codes, rules and regulations, and procedures, as well as the elimination of duplication in reviews, inspections, and fees, while assuring quality, durability, and safety in the built environment, all in accordance with Interstate Compact on Industrialized/Modular Buildings, as enacted by the states.

Program Descriptions

Rules and Regulations - IBC's rules and regulations program relates to the development, drafting and adoption of *Uniform Administrative Procedures* and *Model Rules and Regulations*.

Certifications - IBC offers a certification program whereby inspectors and plan examiners can become IBC certified inspectors and plan examiners.

Briefing Sessions - IBC regularly prepares and presents mandatory seminars for IBC certified inspectors and plans.

Label Control Program - IBC issues, tracks and reports on labels that are attached to approved industrial buildings.

Library - IBC maintains a library of designs and documents approved by plan review (evaluation) agencies.

Monitoring (in-plant) - IBC regularly prepares and conducts audits of manufacturing facilities for the purpose of assessing the performance of inspecting agencies.

Headquarters audits - IBC regularly conducts audits of inspection and evaluation agencies with senior management including discussion of any trends or significant findings identified as a result of in-plant audits and plan reviews.

INDUSTRIALIZED BUILDINGS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES - continued

Plan Review - IBC reviews approved plans and other documents for the purpose of assessing the performance of evaluation agencies.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual method of accounting, which recognizes revenue when assessed or earned and expenses when incurred.

Financial Statement Presentation

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

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met by either actions of Industrialized Buildings Commission and/or the passage of time. There were no temporarily restricted net assets as of June 30, 2012 and 2011.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Industrialized Buildings Commission. There were no permanently restricted net assets as of June 30, 2012 and 2011.

Cash and Cash Equivalents

For financial statement purposes, Industrialized Buildings Commission considers all investments with original maturities of three months or less to be cash equivalents.

At times during the year, IBC maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

INDUSTRIALIZED BUILDINGS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in mutual funds are reported at fair value, which is based on quoted market prices as of the last day of the fiscal year. Interest income is reported when earned. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes the gains and losses on investments bought and sold as well as held during the year.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method calculated to depreciate the cost of the applicable assets over their estimated useful lives, generally three to five years. All property and equipment in excess \$1,000, of with a useful life of greater than one year are capitalized while repairs and maintenance are generally expensed.

Functional Allocation of Expenses

Industrialized Buildings Commission allocates expenses on a functional basis among their various programs and support services. The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services that benefited from such costs.

Revenue Recognition

Label fees are recorded as revenue when orders are received by builders. Total label fee revenue is reported net of fee reimbursements to member states for labels issued in those states.

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 certain reported amounts of revenue and expenses during the reporting periods and reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

INDUSTRIALIZED BUILDINGS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

NOTE C – INCOME TAXES

The management and Commissioners of Industrialized Buildings Commission believe IBC's income to be exempt from federal and state income taxes under section 115(1) of the Internal Revenue Code (the "Code"), since it is an interstate compact formed through government legislation. An entity that is not a governmental unit but that performs an essential government function may not be subject to federal income tax pursuant to Code section 115(1) and is not required to file an annual informational return. The income of such entities is excluded from the definition of taxable gross income as long as the income (1) is derived from a public utility or the exercise of an essential government function and (2) accrues to a State, a political subdivision of a State, or the District of Columbia.

IBC believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

NOTE D – FAIR VALUE MEASUREMENT AND INVESTMENTS

The Financial Accounting Standards Board *Accounting Standards Codification* 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Financial assets valued using Level 1 inputs are based on unadjusted market prices within active markets.

The investments in mutual funds are valued using Level 1 inputs based on unadjusted quoted market prices with active markets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Marketable securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

INDUSTRIALIZED BUILDINGS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

NOTE D – FAIR VALUE MEASUREMENT AND INVESTMENTS - continued

Investments

The fair values of IBC's investments as of June 30, 2012 and 2011, by asset category are as follows:

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Mutual fund – short duration				
Government securities	\$ 324,652	\$ -	\$ -	\$ 324,652
	Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Mutual fund – short duration				
Government securities	\$ 323,302	\$ -	\$ -	\$ 323,302

Included in investment income are the following for the years ended June 30, 2012 and 2011;

	2012	2011
Interest and dividends	\$ 1,395	\$ 9,057
Unrealized gain/(loss)	(1)	(6,653)
Realized gain/(loss)	-	969
Total Investment Income	\$ 1,394	\$ 3,373

NOTE E – SECRETARIAT

IBC had an agreement with the National Conference of States on Building Codes and Standards ("NCSBCS"), whereby NCSBCS provides secretariat, administrative, training and other technical services to IBC. Under the terms of the agreement, IBC paid to NCSBCS, as compensation for its services, a sum equal to all costs of NCSBCS, direct and indirect, incurred in performance of services to IBC, multiplied by 105%. In addition, as part of its secretariat duties, NCSBCS paid certain bills of IBC and was reimbursed as funds became available. For the year ended June 30, 2011, IBC paid NCSBCS approximately \$220,000 under this agreement. During 2011, IBC terminated its agreement with NCSBCS.

INDUSTRIALIZED BUILDINGS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(continued)

NOTE F – COMMISSION DESIGNATED NET ASSETS

Commission Designated Net Assets consist of reserves set aside to be used toward reimbursement of compacting states for the appropriated funds during IBC's start-up in accordance with Article IX of the Compact. During 2011, the Commission reduced the designated amount to \$250,000. Commission Designated Net Assets totaled \$250,000 and \$250,000 as of June 30, 2012 and 2011, respectively.

NOTE G – OPERATING LEASE

In December 2011, IBC entered into a five year lease commencing January 1, 2012. Rent expense for the years ended June 30, 2012 and 2011 was \$28,728 and \$30,375, respectively.

Future minimum payments under this lease agreement are as follows:

<u>Year Ended June 30</u>	
2013	\$ 25,456
2014	26,220
2015	27,006
2016	27,817
2017	<u>14,114</u>
	<u>\$ 120,613</u>

NOTE H – RETIREMENT PLANS

IBC maintains a retirement plan (the "Plan") that covers all full-time employees who are over 21 years old and have completed one year of employment. The Plan is qualified under section 401(k) of the Internal Revenue Code. IBC makes discretionary contributions to the 401(k) plan. For the year ended June 30, 2012, IBC made contributions to the Plan which totaled \$9,155. IBC made no contributions to the plan during the year ended June 30, 2011.

NOTE I – SUBSEQUENT EVENTS

Industrialized Buildings Commission management has evaluated subsequent events for potential required disclosures through June 20, 2013, which is the date the financial statements are available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.