

**HUBBARD BROOK RESEARCH FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

*and*

INDEPENDENT AUDITORS' REPORT



Schiffman, Dattilio & Liepmann, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Hubbard Brook Research Foundation, Inc.

We have audited the accompanying statements of financial position of Hubbard Brook Research Foundation, Inc. (a New Hampshire nonprofit organization) as of December 31, 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2009 financial statements and, in our report dated February 16, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hubbard Brook Research Foundation, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Schiffman, Dattilio & Liepmann, P.C.*

Lebanon, New Hampshire  
March 8, 2011

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 90,934	\$ 89,228
Pledges receivable	18,020	12,235
Grants receivable	16,971	10,389
Other receivables	198	1,232
Deferred expenses	74	1,116
Prepaid expenses	<u>2,908</u>	<u>2,908</u>
Total current assets	<u>129,105</u>	<u>117,108</u>
<b>Property and equipment:</b>		
Buildings and improvements	1,913,757	1,905,857
Equipment	68,682	68,867
Land	<u>470,200</u>	<u>470,200</u>
	2,452,639	2,444,924
Less: accumulated depreciation	<u>451,094</u>	<u>393,124</u>
Total property and equipment	<u>2,001,545</u>	<u>2,051,800</u>
Total assets	<u>\$ 2,130,650</u>	<u>\$ 2,168,908</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 11,580	\$ 9,461
Deferred income	27,885	8,763
Accrued interest	<u>819</u>	<u>819</u>
Total current liabilities	<u>40,284</u>	<u>19,043</u>
Notes payable	<u>707,934</u>	<u>707,934</u>
<b>Net assets:</b>		
Unrestricted	1,277,420	1,300,182
Temporarily restricted	<u>105,012</u>	<u>141,749</u>
Total net assets	<u>1,382,432</u>	<u>1,441,931</u>
Total liabilities and net assets	<u>\$ 2,130,650</u>	<u>\$ 2,168,908</u>

See auditors' report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 404,008	\$ 35,000	\$ 439,008	\$ 338,476
Rental income	74,190	-	74,190	69,560
Consortium dues	63,078	-	63,078	77,829
Donated services	47,170	-	47,170	-
Other income	<u>9,802</u>	<u>-</u>	<u>9,802</u>	<u>6,831</u>
Total revenue and support	<u>598,248</u>	<u>35,000</u>	<u>633,248</u>	<u>492,696</u>
<b>Net assets released from restrictions</b>	<u>71,737</u>	<u>(71,737)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program costs:				
Facilities	167,946	-	167,946	213,886
Education	<u>348,699</u>	<u>-</u>	<u>348,699</u>	<u>259,888</u>
Total program costs	<u>516,645</u>	<u>-</u>	<u>516,645</u>	<u>473,774</u>
Supporting services expense:				
Management and general	126,196	-	126,196	134,800
Fundraising	<u>49,906</u>	<u>-</u>	<u>49,906</u>	<u>46,191</u>
Total supporting services	<u>176,102</u>	<u>-</u>	<u>176,102</u>	<u>180,991</u>
Total expenses	<u>692,747</u>	<u>-</u>	<u>692,747</u>	<u>654,765</u>
<b>Change in net assets</b>	(22,762)	(36,737)	(59,499)	(162,069)
<b>Net assets, beginning of year</b>	<u>1,300,182</u>	<u>141,749</u>	<u>1,441,931</u>	<u>1,604,000</u>
<b>Net assets, end of year</b>	<u>\$ 1,277,420</u>	<u>\$ 105,012</u>	<u>\$ 1,382,432</u>	<u>\$ 1,441,931</u>

See auditors' report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (59,499)	\$ (162,069)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,127	58,202
(Increase) decrease in the following assets:		
Pledges receivable	(5,785)	(4,335)
Grants receivable	(6,582)	31,965
Other receivables	1,034	3,553
Deferred expenses	1,042	(1,116)
Increase (decrease) in the following liabilities:		
Accounts payable and accrued liabilities	2,119	(10,884)
Deferred income	19,122	(17,329)
Accrued interest	-	46
Net cash provided by (used in) operating activities	<u>11,578</u>	<u>(101,967)</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	<u>(9,872)</u>	<u>(51,858)</u>
Net cash used in investing activities	<u>(9,872)</u>	<u>(51,858)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	<u>-</u>	<u>39,958</u>
Net cash provided by financing activities	<u>-</u>	<u>39,958</u>
<b>Net increase (decrease) in cash</b>	1,706	(113,867)
<b>Cash and cash equivalents, beginning of year</b>	<u>89,228</u>	<u>203,095</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 90,934</u>	<u>\$ 89,228</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 23,357	\$ 22,093

See auditors' report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

**Note 1. Summary of significant accounting policies:**

This summary of significant accounting policies of Hubbard Brook Research Foundation, Inc. (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Organization – The Foundation is a New Hampshire nonprofit corporation which promotes the understanding and stewardship of terrestrial and aquatic ecosystems through scientific research, long-term monitoring and public education.

Basis of presentation – The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence *or* absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – net assets that are available for use, but expendable only for those purposes specified by the donor.
- Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There are currently no permanently restricted net assets.

Comparative financial statements – These financial statements include summarized comparative prior-year information in the Statements of Activities and Changes in Net Assets. This information is not presented by net asset class and does not contain sufficient detail to conform with accounting principles generally accepted in the United States of America. Therefore, this information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2009.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents – For purposes of the statements of cash flows, the Foundation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

**Note 1. Summary of significant accounting policies (continued):**

Cash deposits with financial institutions – The Foundation maintains its cash and cash equivalents with financial institutions, which, at times may exceed federally insured limits. The Foundation has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contributions and promises to give – Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated goods and services – Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Property and equipment – Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is calculated using the straight-line method based on the assets' estimated useful lives. The ranges of the estimated useful lives are as follows:

	<u>Years</u>
Buildings and improvements	15 - 39
Equipment	3 - 5

Expenditures for repairs and maintenance are expensed when incurred, and additions and betterments in excess of \$1,000 are capitalized. Depreciation expense was \$60,127 and \$58,202 for the years ended December 31, 2010 and 2009, respectively.

Income taxes – Hubbard Brook Research Foundation, Inc. was organized under Section 501(c)(3) of the United States Internal Revenue Code and is generally exempt from income tax. This code section enables the Foundation to accept donations which qualify as charitable contributions to the donor. As such, no provisions for income taxes have been made in these financial statements. The Foundation is also exempt from New Hampshire business taxes.

Expense allocation – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Note 2. Pledges receivable:**

Pledges receivable represent unconditional promises to give. All pledges are due within one year. No allowance for uncollectible pledges has been established as management believes that all pledges are fully collectible.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

**Note 3. Notes payable:**

The notes payable balance consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Ledyard National Bank - mortgage with interest payable at The Wall Street Journal prime rate (3.25% at December 31, 2009), in the amount of \$800,000, outstanding balance due in full December 18, 2012, secured by a first mortgage on certain real estate of the Foundation.	<u>\$ 707,934</u>	<u>\$ 707,934</u>

Maturities for long-term debt in years subsequent to 2010 consist of one balloon payment of \$707,934 due in 2012.

**Note 4. Line of credit:**

The Foundation has available a line of credit in the amount of \$50,000 under an agreement with Ledyard National Bank. Principal is payable on demand. Interest is payable monthly at *The Wall Street Journal* prime rate plus one percentage point (4.25% at December 31, 2010). The line of credit is collateralized by substantially all business assets other than real estate mortgaged pursuant to a note payable (see Note 3). The balance on the line of credit was \$-0- as of December 31, 2010 and 2009.

**Note 5. Operating lease:**

The Foundation leases office facilities under an operating lease that expires on January 29, 2012, with monthly payments of \$1,596. Total rent expense incurred in connection with this agreement was \$18,831 and \$18,376 in 2010 and 2009, respectively. Future minimum lease payments are as follows:

2011	\$ 19,128
2012	<u>1,596</u>
	<u>\$ 20,724</u>



HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

**Note 6. Temporarily restricted net assets:**

Net assets are temporarily restricted for the following at December 31:

	<u>2010</u>	<u>2009</u>
Program specific related restrictions:		
Science Links Program	\$ 87,950	\$ 111,514
LTER Book Fund	<u>17,062</u>	<u>30,235</u>
	<u>\$ 105,012</u>	<u>\$ 141,749</u>

Net assets released from restrictions were as follows:

	<u>2010</u>	<u>2009</u>
Program specific related restrictions:		
Science Links Program	\$ 58,564	\$ 108,630
Education	-	10,000
Capital campaign	-	30,000
LTER Book Fund	<u>13,173</u>	<u>4,619</u>
	<u>\$ 71,737</u>	<u>\$ 153,249</u>

**Note 7. Pension plan:**

The Foundation maintains a defined contribution plan that covers all employees working at least half time. The Foundation matches employee contributions up to 4% of compensation. Pension expense was \$7,522 and \$6,620 for the years ended December 31, 2010 and 2009, respectively.

**Note 8. Concentration in support received:**

The Foundation received \$193,716 and \$181,835 of its total revenue from one funding source – the U.S. Department of Agriculture – in 2010 and 2009, respectively. This was 31% and 37% of its total revenue for 2010 and 2009, respectively.

**Note 9. Subsequent events:**

We have evaluated events occurring between the end of the most recent fiscal year and March 7, 2011, the date the financial statements were available to be issued. Through that date there were no material events that would require recognition or additional disclosure in the financial statements.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Facilities	Education	Total Program Costs	Management and General	Fundraising	Total Supporting Services	2010 Totals	2009 Totals
Salaries and wages	\$ 14,153	\$ 108,292	\$ 122,445	\$ 56,811	\$ 34,718	\$ 91,529	\$ 213,974	\$ 274,992
Professional fees	-	136,578	136,578	17,714	938	18,652	155,230	94,556
Depreciation	59,048	-	59,048	1,079	-	1,079	60,127	58,202
Payroll taxes and employee benefits	2,660	38,095	40,755	10,767	5,745	16,512	57,267	39,293
Donated services expense	-	47,170	47,170	-	-	-	47,170	-
Repairs and maintenance	30,354	-	30,354	849	-	849	31,203	39,498
Utilities	23,098	282	23,380	4,761	23	4,784	28,164	26,888
Interest and fees	23,008	-	23,008	1,089	309	1,398	24,406	22,886
Rent	-	-	-	18,831	-	18,831	18,831	18,376
Insurance	7,106	-	7,106	6,834	-	6,834	13,940	15,100
Meetings and entertainment	-	8,148	8,148	1,853	3,025	4,878	13,026	16,821
Travel	128	5,888	6,016	1,983	460	2,443	8,459	9,777
Real estate taxes	6,500	-	6,500	-	-	-	6,500	11,500
Supplies and materials	1,877	845	2,722	1,465	516	1,981	4,703	11,010
Other	-	1,731	1,731	810	1,375	2,185	3,916	9,701
Printing and copying	5	1,052	1,057	656	1,694	2,350	3,407	2,968
Postage and shipping	9	618	627	694	1,103	1,797	2,424	3,197
Total expenses	\$ 167,946	\$ 348,699	\$ 516,645	\$ 126,196	\$ 49,906	\$ 176,102	\$ 692,747	\$ 654,765

See auditors' report