

HUBBARD BROOK RESEARCH FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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, 2011, 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 2010 financial statements and, in our report dated March 8, 2011, 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, 2011, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Schiffman, Dattilio & Liepmann, P.C.

Lebanon, New Hampshire
June 6, 2012

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	\$ 96,436	\$ 90,934
Pledges receivable	200	18,020
Grants receivable	38,242	16,971
Other receivables	2,440	198
Deferred expenses	-	74
Prepaid expenses	1,468	2,908
Total current assets	138,786	129,105
Property and equipment:		
Buildings and improvements	1,921,801	1,913,757
Furniture and equipment	68,682	68,682
Land	470,200	470,200
	2,460,683	2,452,639
Less: accumulated depreciation	512,161	451,094
Total property and equipment	1,948,522	2,001,545
 Total assets	 \$ 2,087,308	 \$ 2,130,650
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 37,500	\$ -
Accounts payable and accrued liabilities	36,975	11,580
Note payable	714,909	-
Deferred income	-	27,885
Accrued interest	-	819
Total current liabilities	789,384	40,284
 Note payable	 -	 707,934
Net assets:		
Unrestricted	1,239,925	1,277,420
Temporarily restricted	57,999	105,012
Total net assets	1,297,924	1,382,432
 Total liabilities and net assets	 \$ 2,087,308	 \$ 2,130,650

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, 2011 AND 2010

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
REVENUE AND SUPPORT				
Contributions and grants	\$ 448,023	\$ 13,910	\$ 461,933	\$ 439,008
Rental income	79,474	-	79,474	74,190
Consortium dues	72,586	-	72,586	63,078
Donated services	29,303	-	29,303	47,170
Other income	13,783	23	13,806	9,802
Total revenue and support	<u>643,169</u>	<u>13,933</u>	<u>657,102</u>	<u>633,248</u>
Net assets released from restrictions	<u>60,946</u>	<u>(60,946)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program costs:				
Facilities	198,600	-	198,600	167,946
Education	353,205	-	353,205	348,699
Total program costs	<u>551,805</u>	<u>-</u>	<u>551,805</u>	<u>516,645</u>
Supporting services expense:				
Management and general	148,729	-	148,729	126,196
Fundraising	41,076	-	41,076	49,906
Total supporting services	<u>189,805</u>	<u>-</u>	<u>189,805</u>	<u>176,102</u>
Total expenses	<u>741,610</u>	<u>-</u>	<u>741,610</u>	<u>692,747</u>
Change in net assets	(37,495)	(47,013)	(84,508)	(59,499)
Net assets, beginning of year	<u>1,277,420</u>	<u>105,012</u>	<u>1,382,432</u>	<u>1,441,931</u>
Net assets, end of year	<u>\$ 1,239,925</u>	<u>\$ 57,999</u>	<u>\$ 1,297,924</u>	<u>\$ 1,382,432</u>

See auditors' report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (84,508)	\$ (59,499)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	61,067	60,127
(Increase) decrease in the following assets:		
Pledges receivable	17,820	(5,785)
Grants receivable	(21,271)	(6,582)
Other receivables	(2,242)	1,034
Deferred expenses	74	1,042
Prepaid expenses	1,440	-
Increase (decrease) in the following liabilities:		
Accounts payable and accrued liabilities	25,395	2,119
Deferred income	(27,885)	19,122
Accrued interest	(819)	-
Net cash provided by (used in) operating activities	<u>(30,929)</u>	<u>11,578</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(8,044)</u>	<u>(9,872)</u>
Net cash used in investing activities	<u>(8,044)</u>	<u>(9,872)</u>
Cash flows from financing activities:		
Net proceeds from line of credit	37,500	-
Proceeds from borrowings	<u>6,975</u>	-
Net cash provided by financing activities	<u>44,475</u>	-
Net increase (decrease) in cash	5,502	1,706
Cash and cash equivalents, beginning of year	<u>90,934</u>	<u>89,228</u>
Cash and cash equivalents, end of year	<u>\$ 96,436</u>	<u>\$ 90,934</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 24,087	\$ 23,357

See auditors' report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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 organization 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 principles 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 restrictions 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 to 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, 2010.

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 certain estimates and assumptions that affect the 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.

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.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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

Fair value of financial instruments – The carrying amount of cash, accounts receivable, accounts payable, accrued expenses and debt approximates fair value.

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, which range as follows:

	<u>Years</u>
Buildings and improvements	15 - 39
Furniture and 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 \$61,067 and \$60,127 for the years ended December 31, 2011 and 2010, respectively.

Income taxes – The Foundation 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. The Foundation is exempt from federal income and New Hampshire business taxes, accordingly, no taxes have been recorded.

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, 2011 AND 2010

Note 3. Note payable:

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

	<u>2011</u>	<u>2010</u>
Ledyard National Bank - mortgage with interest payable at The Wall Street Journal prime rate (3.25% at December 31, 2011), 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.	\$ 714,909	\$ 707,934

Maturities for the note payable in years subsequent to 2011 consist of one balloon payment of \$714,909 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, 2011). 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 \$37,500 and \$-0- as of December 31, 2011 and 2010, respectively.

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 \$19,132 and \$18,831 in 2011 and 2010, respectively. Future minimum lease payments include one final payment of \$1,596 in 2012.

Note 6. Temporarily restricted net assets:

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

	<u>2011</u>	<u>2010</u>
Program specific related restrictions:		
Science Links Program	\$ 42,148	\$ 87,950
LTER Book Fund	<u>15,851</u>	<u>17,062</u>
	<u>\$ 57,999</u>	<u>\$ 105,012</u>

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

Note 6. Temporarily restricted net assets (continued):

Net assets released from restrictions were as follows:

	<u>2011</u>	<u>2010</u>
Program specific related restrictions:		
Science Links Program	\$ 59,712	\$ 58,564
LTER Book Fund	<u>1,234</u>	<u>13,173</u>
	<u>\$ 60,946</u>	<u>\$ 71,737</u>

Note 7. Pension plan:

The Foundation maintains a defined contribution retirement plan that covers all employees working at least half time. The Foundation matches employee contributions up to 4% of compensation. Pension expense was \$7,494 and \$7,522 for the years ended December 31, 2011 and 2010, respectively.

Note 8. Concentration in support received:

The Foundation received \$150,325 and \$193,716 of its total revenue from one funding source, the U.S. Department of Agriculture, in 2011 and 2010, respectively. This was 23% and 31% of its total revenue for 2011 and 2010, respectively.

Note 9. Subsequent events:

Management has evaluated events and transactions for potential recognition or disclosure through June 6, 2012, the date the financial statements were available to be issued.

As of February 1, 2012 the Foundation moved its administrative offices to its facilities in North Woodstock, NH.

The Foundation's note payable is currently due in full in 2012, however the Board of Trustees of the Foundation intends on extending the note or a portion of it for another five years.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Facilities	Education	Total Program Costs	Management and General	Fundraising	Total Supporting Services	2011 Totals	2010 Totals
Salaries and wages	\$ 22,943	\$ 111,032	\$ 133,975	\$ 75,316	\$ 30,069	\$ 105,385	\$ 239,360	\$ 213,974
Professional fees	1,420	157,039	158,459	15,807	328	16,135	174,594	155,230
Depreciation	59,819	-	59,819	1,248	-	1,248	61,067	60,127
Payroll taxes and employee benefits	4,359	20,429	24,788	13,894	5,713	19,607	44,395	57,267
Meetings expense	11,853	16,585	28,438	7,247	2,504	9,751	38,189	13,026
Repairs and maintenance	33,075	-	33,075	1,043	-	1,043	34,118	31,203
Utilities	23,345	386	23,731	5,566	82	5,648	29,379	28,164
Donated services expense	-	29,303	29,303	-	-	-	29,303	47,170
Interest and fees	22,327	-	22,327	1,835	28	1,863	24,190	24,406
Rent	-	-	-	19,132	-	19,132	19,132	18,831
Insurance	10,528	-	10,528	3,399	-	3,399	13,927	13,940
Printing and copying	-	9,045	9,045	1,258	731	1,989	11,034	3,407
Supplies and materials	3,484	3,045	6,529	961	271	1,232	7,761	4,703
Travel	435	4,103	4,538	1,262	531	1,793	6,331	8,459
Real estate taxes	5,000	-	5,000	-	-	-	5,000	6,500
Other	-	1,361	1,361	576	-	576	1,937	3,916
Postage and shipping	12	877	889	185	819	1,004	1,893	2,424
Total expenses	\$ 198,600	\$ 353,205	\$ 551,805	\$ 148,729	\$ 41,076	\$ 189,805	\$ 741,610	\$ 692,747

See auditors' report