

HUBBARD BROOK RESEARCH FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

and

INDEPENDENT AUDITORS' REPORT



Schiffman, Paul & Dattilio, P.C.

Certified Public Accountants | Management Consultants

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 not-for-profit organization) as of December 31, 2008 and 2007, 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 Organization's 2007 financial statements and, in our report dated February 1, 2008, 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were 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, Paul & Dattilio, P.C.

Lebanon, New Hampshire
February 16, 2009

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 203,095	\$ 227,588
Pledges receivable	7,900	12,500
Grants receivable	42,354	50,552
Other receivables	4,785	370
Deferred expenses	-	1,218
Prepaid expenses	<u>2,908</u>	<u>5,072</u>
Total current assets	<u>261,042</u>	<u>297,300</u>
Property and equipment:		
Buildings and improvements	1,854,914	1,838,930
Equipment	67,952	74,084
Land	<u>470,200</u>	<u>470,200</u>
	2,393,066	2,383,214
Less: accumulated depreciation	<u>334,922</u>	<u>284,243</u>
Total property and equipment	<u>2,058,144</u>	<u>2,098,971</u>
Total assets	<u>\$ 2,319,186</u>	<u>\$ 2,396,271</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 20,345	\$ 10,950
Deferred income	26,092	31,600
Accrued interest	<u>773</u>	<u>1,610</u>
Total current liabilities	<u>47,210</u>	<u>44,160</u>
Notes payable	<u>667,976</u>	<u>644,217</u>
Net assets:		
Unrestricted	1,323,668	1,408,866
Temporarily restricted	<u>280,332</u>	<u>299,028</u>
Total net assets	<u>1,604,000</u>	<u>1,707,894</u>
Total liabilities and net assets	<u>\$ 2,319,186</u>	<u>\$ 2,396,271</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, 2008 AND 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
REVENUE AND SUPPORT				
Contributions and grants	\$ 342,929	\$ 156,050	\$ 498,979	\$ 619,480
Rental income	81,628	-	81,628	76,830
Consortium dues	49,008	-	49,008	-
Other income	4,632	-	4,632	8,970
Total revenue and support	<u>478,197</u>	<u>156,050</u>	<u>634,247</u>	<u>705,280</u>
Net assets released from restrictions	<u>174,746</u>	<u>(174,746)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program costs:				
Facilities	229,660	-	229,660	208,919
Education	289,356	-	289,356	157,389
Total program costs	<u>519,016</u>	<u>-</u>	<u>519,016</u>	<u>366,308</u>
Supporting services expense:				
Management and general	132,087	-	132,087	126,132
Fundraising	87,038	-	87,038	115,585
Total supporting services	<u>219,125</u>	<u>-</u>	<u>219,125</u>	<u>241,717</u>
Total expenses	<u>738,141</u>	<u>-</u>	<u>738,141</u>	<u>608,025</u>
Change in net assets	(85,198)	(18,696)	(103,894)	97,255
Net assets, beginning of year	<u>1,408,866</u>	<u>299,028</u>	<u>1,707,894</u>	<u>1,610,639</u>
Net assets, end of year	<u>\$ 1,323,668</u>	<u>\$ 280,332</u>	<u>\$ 1,604,000</u>	<u>\$ 1,707,894</u>

See auditors' report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (103,894)	\$ 97,256
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	58,808	60,905
(Increase) decrease in the following assets:		
Pledges receivable	4,600	6,150
Grants receivable	8,198	(9,651)
Other receivables	(4,415)	(210)
Deferred expenses	1,218	5,273
Prepaid expenses	2,164	(1,670)
Escrow deposit	-	35,000
Increase (decrease) in the following liabilities:		
Accounts payable and accrued liabilities	9,395	(21,576)
Deferred income	(5,508)	17,450
Accrued interest	(837)	(369)
Net cash provided by (used in) operating activities	<u>(30,271)</u>	<u>188,558</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(17,981)</u>	-
Net cash used in investing activities	<u>(17,981)</u>	-
Cash flows from financing activities:		
Funds borrowed for interest and refinancing	23,759	13,216
Funds borrowed for repayment of notes payable	-	631,000
Repayment of notes payable	<u>-</u>	<u>(681,000)</u>
Net cash provided by (used in) financing activities	<u>23,759</u>	<u>(36,784)</u>
Net increase (decrease) in cash	(24,493)	151,774
Cash and cash equivalents, beginning of year	<u>227,588</u>	<u>75,814</u>
Cash and cash equivalents, end of year	<u>\$ 203,095</u>	<u>\$ 227,588</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 47,592	\$ 47,171

See auditors' report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

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 not-for-profit New Hampshire 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 financial statements are prepared in accordance with recommendations of the Financial Accounting Standards Board in its Statement of Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – This class is used at the discretion of the board of directors and is not subject to donor-imposed stipulations.

Net investment in property and equipment represents amounts expended for property and equipment used in the operations of the Foundation, net of amounts borrowed, if any.

- Temporarily restricted net assets – This class includes net assets that are restricted by donors for a specific purpose or a specific time period.
- Permanently restricted net assets – This class includes net assets that are restricted by donors for permanent investment. There are currently no assets in this class.

Summarized prior year information – The Foundation's financial statements include certain prior year summarized comparative information in total but not by net class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

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, 2008 AND 2007

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

Contributions and promises to give – Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. 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.

Property and equipment – Property and equipment are recorded at cost or, if donated, at the fair value at the date of the donation. The Foundation provides for depreciation on a straight-line basis over the estimated useful lives of the assets.

Income taxes – Hubbard Brook Research Foundation, Inc. was organized under Section 501(c)(3) of the 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 Internal Revenue Service has not classified the Foundation as a private foundation under Section 509(a)(2).

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.

Note 3. Notes payable:

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

	<u>2008</u>	<u>2007</u>
Ledyard National Bank - mortgage with interest payable at The Wall Street Journal prime rate (3.25% at December 31, 2008), 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.	\$ 667,976	\$ 644,217

Maturities for long-term debt in years subsequent to 2008 consist of one balloon payment of \$667,976 due in 2012.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

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, 2008). The line of credit is collateralized by substantially all business assets other than real estate mortgaged pursuant to the notes payable (see Note 3). The balance on the line of credit was \$0 as of December 31, 2008 and 2007.

Note 5. Operating lease:

The Foundation leases office facilities under an operating lease that expires on January 29, 2012, with monthly payments of approximately \$1,530. Total rent expense incurred in connection with this agreement was \$18,313 and \$17,305 in 2008 and 2007, respectively. Future minimum lease payments are as follows:

2009	\$	18,360
2010		18,360
2011		18,360
2012		<u>1,530</u>
	\$	<u>56,610</u>

Note 6. Temporarily restricted net assets:

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

	<u>2008</u>	<u>2007</u>
Program specific related restrictions:		
Science Links Program	\$ 208,478	\$ 229,935
Education	10,000	54,579
Capital campaign	30,000	4,514
Other	<u>31,854</u>	<u>10,000</u>
	<u>\$ 280,332</u>	<u>\$ 299,028</u>

Net assets released from restrictions were as follows:

	<u>2008</u>	<u>2007</u>
Program specific related restrictions:		
Science Links Program	\$ 129,437	\$ 73,054
Capital campaign	4,514	103,682
Education	11,099	7,913
Other	<u>29,696</u>	<u>-</u>
	<u>\$ 174,746</u>	<u>\$ 184,649</u>

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

Note 7. Pension plan:

The Foundation maintains a defined contribution plan that covers all employees working at least half time. The Foundation matches employee contributes up to 4% of compensation. Pension expense was \$5,087 and \$5,865 for the years ended December 31, 2008 and 2007, respectively.

Note 8. Concentration of credit risk:

The Foundation maintains bank account balances, which at times may exceed federally insured limits. The Foundation has not experienced any significant losses with these accounts. Management believes that the Foundation is not exposed to any significant credit risk on cash.

Note 9. Concentration in support received:

The Foundation received \$146,475 and \$90,201 of its total revenue from one funding source – the U.S. Department of Agriculture – in 2008 and 2007, respectively. This was approximately 23% and 13% of its total revenue for 2008 and 2007, respectively.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Facilities	Education	Total Program Costs	Management and General	Fundraising	Total Supporting Services	Total Expenses	2007 Total
Salaries and wages	\$ 31,574	\$ 109,946	\$ 141,520	\$ 59,032	\$ 58,835	\$ 117,867	\$ 259,387	\$ 230,496
Professional fees	9,557	110,835	120,392	20,525	8,907	29,432	149,824	69,684
Depreciation	56,284	-	56,284	2,524	-	2,524	58,808	60,905
Interest	46,465	-	46,465	467	447	914	47,379	49,536
Repairs and maintenance	32,340	-	32,340	660	-	660	33,000	27,621
Utilities	26,146	137	26,283	5,680	337	6,017	32,300	27,982
Payroll taxes and employee benefits	4,694	13,591	18,285	7,722	5,696	13,418	31,703	34,207
Meetings and entertainment	42	22,240	22,282	1,795	2,535	4,330	26,612	17,464
Rent	(1,779)	1,619	(160)	18,448	25	18,473	18,313	17,305
Insurance	6,952	-	6,952	9,116	-	9,116	16,068	12,097
Travel	810	11,457	12,267	2,034	1,155	3,189	15,456	13,094
Printing and copying	20	9,011	9,031	1,249	4,779	6,028	15,059	19,246
Supplies and materials	4,855	7,608	12,463	1,064	598	1,662	14,125	10,376
Real estate taxes	11,500	-	11,500	-	-	-	11,500	11,500
Postage and shipping	30	2,285	2,315	672	2,366	3,038	5,353	4,088
Other	170	627	797	1,099	1,358	2,457	3,254	2,424
Total expenses	\$ 229,660	\$ 289,356	\$ 519,016	\$ 132,087	\$ 87,038	\$ 219,125	\$ 738,141	\$ 608,025

See auditors' report