

HUBBARD BROOK RESEARCH FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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 not-for-profit organization) as of December 31, 2009, 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 2008 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, 2009, 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
February 4, 2010

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 89,228	\$ 203,095
Pledges receivable	12,235	7,900
Grants receivable	10,389	42,354
Other receivables	1,232	4,785
Deferred expenses	1,116	-
Prepaid expenses	<u>2,908</u>	<u>2,908</u>
Total current assets	<u>117,108</u>	<u>261,042</u>
Property and equipment:		
Buildings and improvements	1,905,857	1,854,914
Equipment	68,867	67,952
Land	<u>470,200</u>	<u>470,200</u>
	2,444,924	2,393,066
Less: accumulated depreciation	<u>393,124</u>	<u>334,922</u>
Total property and equipment	<u>2,051,800</u>	<u>2,058,144</u>
Total assets	<u>\$ 2,168,908</u>	<u>\$ 2,319,186</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,461	\$ 20,345
Deferred income	8,763	26,092
Accrued interest	<u>819</u>	<u>773</u>
Total current liabilities	<u>19,043</u>	<u>47,210</u>
Notes payable	<u>707,934</u>	<u>667,976</u>
Net assets:		
Unrestricted	1,300,182	1,323,668
Temporarily restricted	<u>141,749</u>	<u>280,332</u>
Total net assets	<u>1,441,931</u>	<u>1,604,000</u>
Total liabilities and net assets	<u>\$ 2,168,908</u>	<u>\$ 2,319,186</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, 2009 AND 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
REVENUE AND SUPPORT				
Contributions and grants	\$ 323,810	\$ 14,666	\$ 338,476	\$ 498,979
Rental income	69,560	-	69,560	81,628
Consortium dues	77,829	-	77,829	49,008
Other income	6,831	-	6,831	4,632
Total revenue and support	<u>478,030</u>	<u>14,666</u>	<u>492,696</u>	<u>634,247</u>
Net assets released from restrictions	<u>153,249</u>	<u>(153,249)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program costs:				
Facilities	213,886	-	213,886	229,660
Education	259,888	-	259,888	289,356
Total program costs	<u>473,774</u>	<u>-</u>	<u>473,774</u>	<u>519,016</u>
Supporting services expense:				
Management and general	134,800	-	134,800	132,087
Fundraising	46,191	-	46,191	87,038
Total supporting services	<u>180,991</u>	<u>-</u>	<u>180,991</u>	<u>219,125</u>
Total expenses	<u>654,765</u>	<u>-</u>	<u>654,765</u>	<u>738,141</u>
Change in net assets	(23,486)	(138,583)	(162,069)	(103,894)
Net assets, beginning of year	<u>1,323,668</u>	<u>280,332</u>	<u>1,604,000</u>	<u>1,707,894</u>
Net assets, end of year	<u>\$ 1,300,182</u>	<u>\$ 141,749</u>	<u>\$ 1,441,931</u>	<u>\$ 1,604,000</u>

See auditors' report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (162,069)	\$ (103,894)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	58,202	58,808
(Increase) decrease in the following assets:		
Pledges receivable	(4,335)	4,600
Grants receivable	31,965	8,198
Other receivables	3,553	(4,415)
Deferred expenses	(1,116)	1,218
Prepaid expenses	-	2,164
Increase (decrease) in the following liabilities:		
Accounts payable and accrued liabilities	(10,884)	9,395
Deferred income	(17,329)	(5,508)
Accrued interest	46	(837)
Net cash provided by (used in) operating activities	<u>(101,967)</u>	<u>(30,271)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(51,858)</u>	<u>(17,981)</u>
Net cash used in investing activities	<u>(51,858)</u>	<u>(17,981)</u>
Cash flows from financing activities:		
Proceeds from borrowings	<u>39,958</u>	<u>23,759</u>
Net cash provided by financing activities	<u>39,958</u>	<u>23,759</u>
Net decrease in cash	(113,867)	(24,493)
Cash and cash equivalents, beginning of year	<u>203,095</u>	<u>227,588</u>
Cash and cash equivalents, end of year	<u>\$ 89,228</u>	<u>\$ 203,095</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 22,093	\$ 47,592

See auditors' report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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 Codification 958-205-05, *Presentation of Financial Statements*. Under Codification 958-205-05, 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.
- 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, 2008, 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, 2009 AND 2008

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>2009</u>	<u>2008</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.	\$ 707,934	\$ 667,976

Maturities for long-term debt in years subsequent to 2009 consist of one balloon payment of \$707,934 due in 2012.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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, 2009). 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, 2009 and 2008.

Note 5. Operating lease:

The Foundation leases office facilities under an operating lease that expires on January 29, 2012, with monthly payments of approximately \$1,570. Total rent expense incurred in connection with this agreement was \$18,376 and \$18,313 in 2009 and 2008, respectively. Future minimum lease payments are as follows:

2010	\$	18,840
2011		18,840
2012		<u>1,570</u>
	\$	<u>39,250</u>

Note 6. Temporarily restricted net assets:

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

	<u>2009</u>	<u>2008</u>
Program specific related restrictions:		
Science Links Program	\$ 111,514	\$ 208,478
Education	-	10,000
Capital campaign	-	30,000
Other	<u>30,235</u>	<u>31,854</u>
	<u>\$ 141,749</u>	<u>\$ 280,332</u>

Net assets released from restrictions were as follows:

	<u>2009</u>	<u>2008</u>
Program specific related restrictions:		
Science Links Program	\$ 108,630	\$ 129,437
Education	10,000	11,099
Capital campaign	30,000	4,514
Other	<u>4,619</u>	<u>29,696</u>
	<u>\$ 153,249</u>	<u>\$ 174,746</u>

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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 \$6,620 and \$5,087 for the years ended December 31, 2009 and 2008, 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 \$181,835 and \$146,475 of its total revenue from one funding source – the U.S. Department of Agriculture – in 2009 and 2008, respectively. This was approximately 20% and 23% of its total revenue for 2009 and 2008, respectively.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Facilities	Education	Total Program Costs	Management and General	Fundraising	Total Supporting Services	Total Expenses	2008 Totals
Salaries and wages	\$ 42,897	\$ 137,971	\$ 180,868	\$ 60,386	\$ 33,738	\$ 94,124	\$ 274,992	\$ 259,387
Professional fees	-	72,063	72,063	21,078	1,415	22,493	94,556	149,824
Depreciation	57,313	-	57,313	889	-	889	58,202	58,808
Repairs and maintenance	38,243	-	38,243	1,255	-	1,255	39,498	33,000
Payroll taxes and employee benefits	3,966	21,125	25,091	9,705	4,497	14,202	39,293	31,703
Utilities	21,650	487	22,137	4,751	-	4,751	26,888	32,300
Interest	22,075	-	22,075	645	166	811	22,886	47,379
Rent	(753)	693	(60)	18,376	60	18,436	18,376	18,313
Meetings and entertainment	-	11,812	11,812	4,061	948	5,009	16,821	26,612
Insurance	6,846	-	6,846	8,254	-	8,254	15,100	16,068
Real estate taxes	11,500	-	11,500	-	-	-	11,500	11,500
Supplies and materials	3,624	6,090	9,714	1,296	-	1,296	11,010	14,125
Travel	182	6,713	6,895	2,335	547	2,882	9,777	15,456
Other	6,329	653	6,982	876	1,843	2,719	9,701	3,254
Postage and shipping	14	988	1,002	457	1,738	2,195	3,197	5,353
Printing and copying	-	1,293	1,293	436	1,239	1,675	2,968	15,059
Total expenses	\$ 213,886	\$ 259,888	\$ 473,774	\$ 134,800	\$ 46,191	\$ 180,991	\$ 654,765	\$ 738,141

See auditors' report