

HUBBARD BROOK RESEARCH FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2017 AND 2016

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Hubbard Brook Research Foundation, Inc. (a New Hampshire nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the accompanying schedules of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Schiffman, Dattilio & Company, P.C.

Lebanon, New Hampshire
February 22, 2018

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,705	\$ 15,166
Cash and cash equivalents, restricted	6,758	6,967
Pledges receivable	32,943	-
Grants receivable	20,282	35,636
Other receivables	17,394	59,617
Prepaid expenses	2,461	4,104
Total current assets	<u>92,543</u>	<u>121,490</u>
Property and equipment:		
Buildings and improvements	1,964,757	1,959,401
Furniture and equipment	68,682	68,682
Land	470,200	470,200
	<u>2,503,639</u>	<u>2,498,283</u>
Less: accumulated depreciation	867,629	804,961
Total property and equipment	<u>1,636,010</u>	<u>1,693,322</u>
Total assets	<u>\$ 1,728,553</u>	<u>\$ 1,814,812</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 58,000	\$ 44,815
Accounts payable and accrued liabilities	54,474	34,881
Deferred income	4,132	25,570
Current portion of long-term debt	34,963	17,563
Total current liabilities	<u>151,569</u>	<u>122,829</u>
Long-term debt	<u>13,696</u>	<u>151,941</u>
Net assets:		
Unrestricted	1,539,115	1,478,836
Temporarily restricted	24,173	61,206
Total net assets	<u>1,563,288</u>	<u>1,540,042</u>
Total liabilities and net assets	<u>\$ 1,728,553</u>	<u>\$ 1,814,812</u>

See independent accountants' review report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Contributions and grants	\$ 438,558	\$ 26,715	\$ 465,273	\$ 542,010	\$ 60,357	\$ 602,367
Rental income	142,530	-	142,530	141,710	-	141,710
Consortium dues	60,625	-	60,625	50,625	15,625	66,250
Other income	26,246	-	26,246	17,346	-	17,346
Total revenue and support	<u>667,959</u>	<u>26,715</u>	<u>694,674</u>	<u>751,691</u>	<u>75,982</u>	<u>827,673</u>
Net assets released from restrictions	<u>63,748</u>	<u>(63,748)</u>	<u>-</u>	<u>201,402</u>	<u>(201,402)</u>	<u>-</u>
EXPENSES						
Program costs:						
Facilities	237,053	-	237,053	239,315	-	239,315
Education	208,721	-	208,721	294,344	-	294,344
Total program costs	<u>445,774</u>	<u>-</u>	<u>445,774</u>	<u>533,659</u>	<u>-</u>	<u>533,659</u>
Supporting services expense:						
Management and general	150,877	-	150,877	193,036	-	193,036
Fundraising	74,777	-	74,777	44,555	-	44,555
Total supporting services	<u>225,654</u>	<u>-</u>	<u>225,654</u>	<u>237,591</u>	<u>-</u>	<u>237,591</u>
Total expenses	<u>671,428</u>	<u>-</u>	<u>671,428</u>	<u>771,250</u>	<u>-</u>	<u>771,250</u>
Change in net assets	60,279	(37,033)	23,246	181,843	(125,420)	56,423
Net assets, beginning of year	<u>1,478,836</u>	<u>61,206</u>	<u>1,540,042</u>	<u>1,296,993</u>	<u>186,626</u>	<u>1,483,619</u>
Net assets, end of year	<u>\$ 1,539,115</u>	<u>\$ 24,173</u>	<u>\$ 1,563,288</u>	<u>\$ 1,478,836</u>	<u>\$ 61,206</u>	<u>\$ 1,540,042</u>

See independent accountants' review report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 23,246	\$ 56,423
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,668	62,438
(Increase) decrease in the following assets:		
Pledges receivable	(32,943)	45,000
Grants receivable	15,354	7,770
Other receivables	42,223	(24,870)
Prepaid expenses	1,643	3,895
Increase (decrease) in the following liabilities:		
Accounts payable and accrued liabilities	19,593	(7,407)
Deferred income	(21,438)	(42,650)
Net cash provided by operating activities	<u>110,346</u>	<u>100,599</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(5,356)</u>	<u>(9,554)</u>
Net cash used in investing activities	<u>(5,356)</u>	<u>(9,554)</u>
Cash flows from financing activities:		
Net proceeds from line of credit	13,185	44,815
Payments on long-term debt	<u>(120,845)</u>	<u>(165,321)</u>
Net cash used in financing activities	<u>(107,660)</u>	<u>(120,506)</u>
Net decrease in cash	(2,670)	(29,461)
Cash and cash equivalents, beginning of year	<u>22,133</u>	<u>51,594</u>
Cash and cash equivalents, end of year	<u>\$ 19,463</u>	<u>\$ 22,133</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 7,431	\$ 12,738

See independent accountants' review report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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 founded in 1993 that works to sustain and enhance the Hubbard Brook Ecosystem Study in New Hampshire, in partnership with the USDA Forest Service Northern Research Station, the National Science Foundation's Long-Term Ecological Research Network, the Hubbard Brook Consortium, and many colleges, universities, and other research institutions.

The Foundation's goals are to sustain and expand long-term ecological monitoring and research at the Hubbard Brook Experimental Forest in North Woodstock, New Hampshire; to bridge the gap between ecosystem science and public policy by enhancing the exchange of information among scientists, policy-makers, and land managers; and to foster public understanding of the functions of ecosystems and their importance to society. Also, in its role as a support organization, the Foundation supplies affordable housing and laboratory facilities to scientists and students.

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 subject to donor-imposed restrictions which will be met either by the Foundation's actions or the passage of time.
- Permanently restricted net assets – net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. There are currently no permanently restricted net assets.

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. Therefore, actual results could differ from those estimates.

Cash and cash equivalents – For purposes of the statements of cash flows, the Foundation considers all 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

SEPTEMBER 30, 2017 AND 2016

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.

Pledges and promises to give – When a donor has unconditionally promised to contribute funds to the Foundation in future periods, the Foundation recognizes a pledge receivable. All pledges 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. All pledges receivable are due within one year. No allowance for uncollectible pledges has been established as management believes that all pledges are fully collectible.

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.

Grants receivable – Grants receivable represent amounts owed from various organizations as reimbursement of grant-related expenses. It includes both billed and un-billed receivables. Any amount that is denied for reimbursement is written off when the Foundation receives notification from the grantor agency. The Foundation considers grants receivable at September 30, 2017 and 2016, to be fully collectible; therefore, no allowance for doubtful accounts is required.

Fair value measurement – The Foundation's financial instruments consist primarily of cash, accounts receivable, pledges and grants receivable, and accounts payable. The carrying amounts of these financial instruments approximate their fair value due to the short-term nature of such instruments.

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	7 - 39
Furniture and equipment	3 - 5

Assets donated with explicit restrictions regarding their use, along with contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Costs of maintenance and repairs that do not improve or extend asset lives are charged to expense. Additions and betterments in excess of \$2,500 are capitalized. Depreciation expense was \$62,668 and \$62,438 for the years ended September 30, 2017 and 2016, respectively.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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

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

Income taxes – The Foundation was organized under Section 501(c)(3) of the United States Internal Revenue Code. 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

Accounting for uncertainty in income tax items – The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations or cash flows. Accordingly, they have not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2017. The Foundation's income tax returns are subject to examination by the appropriate tax jurisdictions. There are currently no audits for any tax periods in progress.

Reclassifications – Certain amounts in the September 30, 2016 financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the reported change in net assets.

Subsequent events – Management has evaluated events occurring between the end of the most recent fiscal year and February 22, 2018, the date the financial statements were available to be issued.

Note 2. Line of credit:

The Foundation has available a line of credit in the amount of \$75,000 under an agreement with Ledyard National Bank. Principal is payable on demand. Interest is payable monthly at The Wall Street Journal prime rate (4.25% at September 30, 2017) plus one percentage point. The line of credit is collateralized by substantially all business assets other than real estate mortgaged pursuant to a note payable. The balance on the line of credit was \$58,000 and \$0- as of September 30, 2017 and 2016, respectively.

Note 3. Long-term debt:

The long-term debt balance consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
4.36% mortgage payable due April 2023, payable monthly at \$3,033 including interest. Secured by a first mortgage on certain real estate of the Foundation.	\$ 48,659	\$ 169,504
Less: current portion	<u>34,963</u>	<u>17,563</u>
	<u>\$ 13,696</u>	<u>\$ 151,941</u>

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 3. Long-term debt (continued):

Maturities for the long-term debt in years subsequent to September 30, 2017 consist of:

2018	\$	34,963
2019		<u>13,696</u>
	\$	<u>48,659</u>

Note 4. Operating lease:

The Foundation leases office facilities under an operating lease on a month to month basis. Total rent expense incurred in connection with this agreement was \$6,616 and \$6,424 in 2017 and 2016, respectively.

Note 5. Temporarily restricted net assets:

Net assets are temporarily restricted for the following at September 30:

	<u>2017</u>	<u>2016</u>
Program specific related restrictions:		
Winter Climate Change	\$ 3,650	\$ 4,122
Science Links Program	219	-
Forest Science Dialogues	22	-
Hubbard Brook Consortium	-	15,625
Music, Art and Science Research	-	5,245
Change in Ecosystems	-	578
Time restrictions	<u>20,282</u>	<u>35,636</u>
	<u>\$ 24,173</u>	<u>\$ 61,206</u>

Net assets released from restrictions were as follows:

	<u>2017</u>	<u>2016</u>
Program specific related restrictions:		
Hubbard Brook Consortium	\$ 15,625	\$ 19,375
Music, Art and Science Research	5,245	-
Winter Climate Change	4,383	-
Science Links	2,281	-
Change in Ecosystems	578	-
Mirror Lake Capstone Campaign	-	75,000
LTER Book Fund	-	38,433
Forest Science Dialogues	-	25,188
Time restrictions	<u>35,636</u>	<u>43,406</u>
	<u>\$ 63,748</u>	<u>\$ 201,402</u>

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 5. Temporarily restricted net assets (continued):

Mirror Lake Capstone Campaign – Temporary restrictions on net assets during 2016 included a total of \$163,630 raised through a Mirror Lake Capstone Campaign, a drive to raise funds to reduce the long-term debt due on the Mirror Lake property. During 2017 an additional \$105,003 was raised through the campaign for a total of \$268,633 raised before the campaign was closed in July of 2017 and the funds were used to pay down the debt.

Note 6. 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 \$2,325 and \$7,130 for the years ended September 30, 2017 and 2016, respectively.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Facilities	Education	Total Program Costs	Management and General	Fundraising	Total Supporting Services	2017 Totals
Salaries and wages	\$ 88,364	\$ 114,207	\$ 202,571	\$ 98,489	\$ 57,634	\$ 156,123	\$ 358,694
Professional fees	-	55,962	55,962	12,094	896	12,990	68,952
Depreciation	62,668	-	62,668	-	-	-	62,668
Repairs and maintenance	30,714	-	30,714	-	-	-	30,714
Payroll taxes	6,913	8,998	15,911	7,668	4,528	12,196	28,107
Utilities	20,457	3,267	23,724	1,508	1,079	2,587	26,311
Meetings	1,177	9,899	11,076	9,653	521	10,174	21,250
Travel	311	11,129	11,440	3,766	1,319	5,085	16,525
Insurance	14,282	-	14,282	1,861	-	1,861	16,143
Interest and fees	5,875	-	5,875	3,333	237	3,570	9,445
Printing and copying	-	1,530	1,530	252	5,742	5,994	7,524
Employee benefits	2,379	2,465	4,844	1,352	956	2,308	7,152
Supplies and materials	1,675	1,215	2,890	2,958	850	3,808	6,698
Rent	-	-	-	6,616	-	6,616	6,616
Telephone	735	-	735	1,099	-	1,099	1,834
Town contributions	1,500	-	1,500	-	-	-	1,500
Postage and shipping	3	49	52	228	1,015	1,243	1,295
	<u>3</u>	<u>49</u>	<u>52</u>	<u>228</u>	<u>1,015</u>	<u>1,243</u>	<u>1,295</u>
Total expenses	<u>\$ 237,053</u>	<u>\$ 208,721</u>	<u>\$ 445,774</u>	<u>\$ 150,877</u>	<u>\$ 74,777</u>	<u>\$ 225,654</u>	<u>\$ 671,428</u>

See independent accountants' review report

HUBBARD BROOK RESEARCH FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Facilities	Education	Total Program Costs	Management General	Fundraising	Total Supporting Services	2016 Totals
Salaries and wages	\$ 87,202	\$ 158,492	\$ 245,694	\$ 121,409	\$ 35,247	\$ 156,656	\$ 402,350
Professional fees	4,586	95,934	100,520	16,694	81	16,775	117,295
Depreciation	62,438	-	62,438	-	-	-	62,438
Repairs and maintenance	23,525	-	23,525	363	-	363	23,888
Payroll taxes	6,777	11,832	18,609	9,292	2,458	11,750	30,359
Utilities	21,232	2,755	23,987	2,027	168	2,195	26,182
Meetings	314	5,521	5,835	15,991	825	16,816	22,651
Travel	119	6,587	6,706	6,710	454	7,164	13,870
Insurance	12,730	-	12,730	1,839	-	1,839	14,569
Interest and fees	12,320	-	12,320	1,997	320	2,317	14,637
Printing and copying	64	526	590	1,187	1,948	3,135	3,725
Employee benefits	3,717	7,951	11,668	4,665	842	5,507	17,175
Supplies and materials	2,040	1,479	3,519	1,970	440	2,410	5,929
Rent	-	-	-	6,424	-	6,424	6,424
Telephone	751	-	751	1,815	28	1,843	2,594
Town contributions	1,500	-	1,500	-	-	-	1,500
Postage and shipping	-	3,267	3,267	653	1,744	2,397	5,664
Total expenses	\$ 239,315	\$ 294,344	\$ 533,659	\$ 193,036	\$ 44,555	\$ 237,591	\$ 771,250

See independent accountants' review report