

HUBBARD BROOK RESEARCH FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 31, 2016 AND 2015

and

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 statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets and cash flows for the year ended September 30, 2016, 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 schedule 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.

Report on 2015 Financial Statements and Supplementary Information

The 2015 financial statements were audited by us and we expressed an unmodified opinion on them in our report dated February 7, 2016. In addition, the 2015 schedule of functional expenses were 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. Our report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. We have not performed any auditing procedures on either the financial statements or on the supplementary information since February 7, 2016.

Schiffman, Dattilio & Company, P.C.

Lebanon, New Hampshire
January 18, 2017

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
	Reviewed	Audited
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,166	\$ 2,577
Cash and cash equivalents, restricted	6,967	49,017
Pledges receivable	-	45,000
Grants receivable	35,636	43,406
Other receivables	59,617	34,747
Prepaid expenses	4,104	7,999
Total current assets	<u>121,490</u>	<u>182,746</u>
Property and equipment:		
Buildings and improvements	1,959,401	1,949,847
Furniture and equipment	68,682	68,682
Land	470,200	470,200
	<u>2,498,283</u>	<u>2,488,729</u>
Less: accumulated depreciation	804,961	742,523
Total property and equipment	<u>1,693,322</u>	<u>1,746,206</u>
Total assets	<u>\$ 1,814,812</u>	<u>\$ 1,928,952</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of Credit	\$ 44,815	\$ -
Accounts payable and accrued liabilities	34,881	42,288
Deferred income	25,570	68,220
Current portion of long-term debt	17,563	16,812
Total current liabilities	<u>122,829</u>	<u>127,320</u>
Long-term debt	<u>151,941</u>	<u>318,013</u>
Net assets:		
Unrestricted	1,478,836	1,296,993
Temporarily restricted	61,206	186,626
Total net assets	<u>1,540,042</u>	<u>1,483,619</u>
Total liabilities and net assets	<u>\$ 1,814,812</u>	<u>\$ 1,928,952</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 YEAR ENDED SEPTEMBER 30, 2016 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2015

	2016			2015		
	Reviewed		Total	Audited		Total
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
REVENUE AND SUPPORT						
Contributions and grants	\$ 542,010	\$ 60,357	\$ 602,367	\$ 308,860	\$ 148,406	\$ 457,266
Rental income	141,710	-	141,710	115,870	-	115,870
Consortium dues	50,625	15,625	66,250	38,750	19,375	58,125
Loss on investments	-	-	-	(476)	-	(476)
Other income	17,346	-	17,346	16,066	-	16,066
Total revenue and support	<u>751,691</u>	<u>75,982</u>	<u>827,673</u>	<u>479,070</u>	<u>167,781</u>	<u>646,851</u>
Net assets released from restrictions	<u>201,402</u>	<u>(201,402)</u>	<u>-</u>	<u>85,425</u>	<u>(85,425)</u>	<u>-</u>
EXPENSES						
Program costs:						
Facilities	239,315	-	239,315	180,672	-	180,672
Education	294,344	-	294,344	241,038	-	241,038
Total program costs	<u>533,659</u>	<u>-</u>	<u>533,659</u>	<u>421,710</u>	<u>-</u>	<u>421,710</u>
Supporting services expense:						
Management and general	193,036	-	193,036	142,897	-	142,897
Fundraising	44,555	-	44,555	32,998	-	32,998
Total supporting services	<u>237,591</u>	<u>-</u>	<u>237,591</u>	<u>175,895</u>	<u>-</u>	<u>175,895</u>
Total expenses	<u>771,250</u>	<u>-</u>	<u>771,250</u>	<u>597,605</u>	<u>-</u>	<u>597,605</u>
Change in net assets	181,843	(125,420)	56,423	(33,110)	82,356	49,246
Net assets, beginning of year	<u>1,296,993</u>	<u>186,626</u>	<u>1,483,619</u>	<u>1,330,103</u>	<u>104,270</u>	<u>1,434,373</u>
Net assets, end 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>

See independent accountants' review report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2016
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

	<u>2016</u>	<u>2015</u>
	Reviewed	Audited
Cash flows from operating activities:		
Change in net assets	\$ 56,423	\$ 49,246
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,438	46,632
(Increase) decrease in the following assets:		
Pledges receivable	45,000	(39,160)
Grants receivable	7,770	(3,014)
Other receivables	(24,870)	(12,553)
Prepaid expenses	3,895	(5,227)
Increase (decrease) in the following liabilities:		
Accounts payable and accrued liabilities	(7,407)	1,631
Deferred income	(42,650)	4,380
Net cash provided by operating activities	<u>100,599</u>	<u>41,935</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(9,554)</u>	<u>(12,844)</u>
Net cash used in investing activities	<u>(9,554)</u>	<u>(12,844)</u>
Cash flows from financing activities:		
Net proceeds from line of credit	44,815	-
Payments on long-term debt	<u>(165,321)</u>	<u>(102,895)</u>
Net cash used in financing activities	<u>(120,506)</u>	<u>(102,895)</u>
Net decrease in cash	(29,461)	(73,804)
Cash and cash equivalents, beginning of year	<u>51,594</u>	<u>125,398</u>
Cash and cash equivalents, end of year	<u>\$ 22,133</u>	<u>\$ 51,594</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 12,738	\$ 13,448

See independent accountants' review report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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. The Foundation's Board voted to change its fiscal year end from December 31st to September 30th. This change is effective for the period ending September 30, 2015. The attached financials represent the year ended September 30, 2016 and nine month period ending September 30, 2015.

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.

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.

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.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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

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.

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, 2016 and 2015, to be fully collectible; therefore, no allowance for doubtful accounts is required.

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 \$62,438 and \$46,632 for the year ended September 30, 2016 and the nine months ended September 30, 2015, respectively.

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

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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

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, 2016. The Foundation's income tax returns are subject to examination by the appropriate tax jurisdictions. As of September 30, 2016 their federal tax returns generally remain open for the last three years. There are currently no audits for any tax periods in progress.

Reclassifications – Certain amounts in the September 30, 2015 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 January 18, 2017, the date the financial statements were available to be issued.

Note 2. Pledges receivable:

Pledges receivable represent unconditional promises to give. 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.

Note 3. 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 September 30, 2016). 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 \$44,815 and \$0- as of September 30, 2016 and 2015, respectively.

Note 4. Long-term debt:

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

	2016	2015
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.	\$ 169,504	\$ 334,825
Less: current portion	<u>17,563</u>	<u>16,812</u>
	<u>\$ 151,941</u>	<u>\$ 318,013</u>

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2015

Note 4. Long-term debt (continued):

Maturities for the long-term debt in years subsequent to September 30, 2016 consist of:

2017	\$	17,563
2018		18,343
2019		19,159
2020		20,013
2021		20,901
Thereafter		<u>73,525</u>
	\$	<u>169,504</u>

Note 5. 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 \$6,424 and \$4,698 in 2016 and 2015, respectively.

Note 6. Temporarily restricted net assets:

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

	<u>2016</u>	<u>2015</u>
Program specific related restrictions:		
Hubbard Brook Consortium	\$ 15,625	\$ 19,375
Davis Foundation	4,122	-
Music, Art and Science Research	5,245	-
Change in Ecosystems	578	-
Mirror Lake Captstone Campaign	-	75,000
LTER Book Fund	-	24,543
Forest Science Dialogues	-	24,302
Time restrictions	<u>35,636</u>	<u>43,406</u>
	<u>\$ 61,206</u>	<u>\$ 186,626</u>

HUBBARD BROOK RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2015

Note 6. Temporarily restricted net assets (continued):

Net assets released from restrictions were as follows:

	<u>2016</u>	<u>2015</u>
Program specific related restrictions:		
Mirror Lake Capstone Campaign	\$ 75,000	\$ -
LTER Book Fund	38,433	37,235
Forest Science Dialogues	25,188	-
Hubbard Brook Consortium	19,375	
Science Policy Exchange	-	5,698
Science Links Program	-	1,500
Time restrictions	<u>43,406</u>	<u>40,992</u>
	<u>\$ 201,402</u>	<u>\$ 85,425</u>

Mirror Lake Capstone Campaign – Temporary restrictions on net assets as of September 30, 2015 included a \$75,000 pledge raised through a new Mirror Lake Capstone Campaign, a drive to raise funds to reduce the long-term debt due on the Mirror Lake property. A total of \$163,630 was raised by the Mirror Lake Campaign through September 30, 2016.

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 \$7,130 and \$5,878 for the year ended September 30, 2016 and the nine months ended September 30, 2015, respectively.

HUBBARD BROOK RESEARCH FOUNDATION, INC.

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Facilities</u>	<u>Education</u>	<u>Total Program Costs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>2016 Totals Reviewed</u>
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
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
Repairs and maintenance	23,525	-	23,525	363	-	363	23,888
Meetings	314	5,521	5,835	15,991	825	16,816	22,651
Employee benefits	3,717	7,951	11,668	4,665	842	5,507	17,175
Interest and fees	12,320	-	12,320	1,997	320	2,317	14,637
Insurance	12,730	-	12,730	1,839	-	1,839	14,569
Travel	119	6,587	6,706	6,710	454	7,164	13,870
Rent	-	-	-	6,424	-	6,424	6,424
Supplies and materials	2,040	1,479	3,519	1,970	440	2,410	5,929
Postage and shipping	-	3,267	3,267	653	1,744	2,397	5,664
Printing and copying	64	526	590	1,187	1,948	3,135	3,725
Telephone	751	-	751	1,815	28	1,843	2,594
Town contributions	1,500	-	1,500	-	-	-	1,500
Total expenses	\$ 239,315	\$ 294,344	\$ 533,659	\$ 193,036	\$ 44,555	\$ 237,591	\$ 771,250

See independent accountants' review report

HUBBARD BROOK RESEARCH FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

	Facilities	Education	Total Program Costs	Management General	Fundraising	Total Supporting Services	2015 Totals Audited
Salaries and wages	\$ 63,034	\$ 118,635	\$ 181,669	\$ 89,756	\$ 24,892	\$ 114,648	\$ 296,317
Professional fees	-	95,171	95,171	15,234	-	15,234	110,405
Depreciation	46,336	-	46,336	296	-	296	46,632
Payroll taxes	4,638	9,099	13,737	6,600	1,813	8,413	22,150
Utilities	17,865	1,536	19,401	1,462	-	1,462	20,863
Repairs and maintenance	17,745	-	17,745	-	-	-	17,745
Meetings	-	1,900	1,900	10,277	1,261	11,538	13,438
Employee benefits	2,245	5,218	7,463	3,508	474	3,982	11,445
Interest and fees	13,545	75	13,620	762	190	952	14,572
Insurance	8,935	-	8,935	1,386	-	1,386	10,321
Travel	-	7,320	7,320	3,692	63	3,755	11,075
Rent	-	-	-	4,698	-	4,698	4,698
Supplies and materials	3,546	917	4,463	1,497	104	1,601	6,064
Postage and shipping	-	20	20	639	661	1,300	1,320
Printing and copying	-	1,041	1,041	1,086	3,540	4,626	5,667
Town contributions	2,000	-	2,000	-	-	-	2,000
Telephone	783	106	889	2,004	-	2,004	2,893
	<u>783</u>	<u>106</u>	<u>889</u>	<u>2,004</u>	<u>-</u>	<u>2,004</u>	<u>2,893</u>
Total expenses	<u>\$ 180,672</u>	<u>\$ 241,038</u>	<u>\$ 421,710</u>	<u>\$ 142,897</u>	<u>\$ 32,998</u>	<u>\$ 175,895</u>	<u>\$ 597,605</u>

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