

**HUBBARD BROOK RESEARCH FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
and  
INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2019 AND 2018**

**HUBBARD BROOK RESEARCH FOUNDATION, INC.**

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## 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, 2019 and 2018, and the related statements of activities, functional expenses, 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 entity 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.

### Accountants' 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.

### Accountants' 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.

*Schiffman, Dattilio & Company, P.C.*

Lebanon, New Hampshire  
February 14, 2020

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	90,553	43,799
Investments	157,300	-
Grants receivable	106,096	52,078
Accounts receivable	14,845	30,422
Pledges receivable	-	1,000
Prepaid expenses	2,562	5,701
Total current assets	<u>371,356</u>	<u>133,000</u>
<b>Property and equipment:</b>		
Buildings and improvements	1,793,883	1,978,397
Land	416,462	470,200
Furniture and equipment	68,682	68,682
	<u>2,279,027</u>	<u>2,517,279</u>
Less: accumulated depreciation	<u>920,326</u>	<u>930,640</u>
Total property and equipment	<u>1,358,701</u>	<u>1,586,639</u>
Total assets	<u>\$ 1,730,057</u>	<u>\$ 1,719,639</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Line of credit	\$ -	\$ 62,500
Accounts payable and accrued liabilities	98,128	66,073
Deferred income	7,432	10,574
Total current liabilities	<u>105,560</u>	<u>139,147</u>
<b>Net assets:</b>		
Without donor restrictions	1,458,223	1,512,237
With donor restrictions	166,274	68,255
Total net assets	<u>1,624,497</u>	<u>1,580,492</u>
Total liabilities and net assets	<u>\$ 1,730,057</u>	<u>\$ 1,719,639</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, 2019 AND 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total		Total	
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 244,158	\$ 366,463	\$ 610,621	\$ 406,114
Rental income	156,343	-	156,343	-
Consortium dues	50,000	-	50,000	-
Other income	11,374	-	11,374	-
Investment income	1,191	545	1,736	27
Gain on sale of asset	34,835	-	34,835	-
Total revenue and support	497,901	367,008	864,909	406,114
Net assets released from restrictions	268,989	(268,989)	-	(362,032)
<b>EXPENSES</b>				
Program costs:				
Facilities	262,528	-	262,528	-
Education	387,719	-	387,719	-
Total program costs	650,247	-	650,247	-
Supporting services expense:				
Management and general	116,443	-	116,443	-
Fundraising	54,214	-	54,214	-
Total supporting services	170,657	-	170,657	-
Total expenses	820,904	-	820,904	-
Change in net assets	(54,014)	98,019	44,005	44,082
Net assets, beginning of year	1,512,237	68,255	1,580,492	24,173
Net assets, end of year	\$ 1,458,223	\$ 166,274	\$ 1,624,497	\$ 68,255

See independent accountants' review report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Facilities	Education	Total Program Costs	Management and General	Fundraising	Total Supporting Services	2019 Totals
Salaries and wages	\$ 87,732	\$ 160,519	\$ 248,251	\$ 74,261	\$ 40,893	\$ 115,154	\$ 363,405
Professional fees	6,986	170,620	\$ 177,606	11,217	135	11,352	188,958
Depreciation	59,634	-	59,634	-	-	-	59,634
Repairs and maintenance	43,117	-	43,117	-	-	-	43,117
Utilities	25,265	3,634	28,899	1,226	1,337	2,563	31,462
Payroll taxes	6,630	11,912	18,542	5,608	3,095	8,703	27,245
Travel	894	17,957	18,851	3,526	1,060	4,586	23,437
Employee benefits	3,794	11,384	15,178	3,148	2,715	5,863	21,041
Insurance	14,725	-	14,725	1,930	-	1,930	16,655
Meetings	6,968	4,071	11,039	3,347	385	3,732	14,771
Printing and copying	754	4,361	5,115	338	3,047	3,385	8,500
Supplies and materials	2,845	3,211	6,056	1,825	277	2,102	8,158
Rent	-	-	-	7,022	-	7,022	7,022
Interest and fees	1,001	-	1,001	1,385	219	1,604	2,605
Telephone	683	-	683	1,182	-	1,182	1,865
Postage and shipping	-	50	50	428	1,051	1,479	1,529
Town contributions	1,500	-	1,500	-	-	-	1,500
Total expenses	\$ 262,528	\$ 387,719	\$ 650,247	\$ 116,443	\$ 54,214	\$ 170,657	\$ 820,904

See independent accountants' review report and notes to financial statements

HUBBARD BROOK RESEARCH FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Facilities	Education	Total Program Costs	Management General	Fundraising	Total Supporting Services	2018 Totals
Salaries and wages	\$ 86,819	\$ 149,702	\$ 236,521	\$ 90,631	\$ 32,801	\$ 123,432	\$ 359,953
Professional fees	10,730	107,827	118,557	10,426	-	10,426	128,983
Depreciation	63,011	-	63,011	-	-	-	63,011
Repairs and maintenance	38,751	-	38,751	35	-	35	38,786
Utilities	23,743	3,990	27,733	1,639	1,173	2,812	30,545
Payroll taxes	6,715	11,370	18,085	7,024	2,470	9,494	27,579
Travel	624	12,674	13,298	3,068	518	3,586	16,884
Employee benefits	3,186	4,854	8,040	2,233	593	2,826	10,866
Insurance	14,610	-	14,610	1,954	-	1,954	16,564
Meetings	6,568	2,811	9,379	3,345	1,663	5,008	14,387
Printing and copying	-	1,019	1,019	323	3,421	3,744	4,763
Supplies and materials	962	2,489	3,451	2,266	-	2,266	5,717
Rent	-	-	-	6,818	-	6,818	6,818
Interest and fees	1,351	-	1,351	5,145	263	5,408	6,759
Telephone	602	-	602	1,043	-	1,043	1,645
Postage and shipping	25	19	44	1,433	426	1,859	1,903
Town contributions	1,500	-	1,500	-	-	-	1,500
Total expenses	\$ 259,197	\$ 296,755	\$ 555,952	\$ 137,383	\$ 43,328	\$ 180,711	\$ 736,663

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, 2019 AND 2018

	2019	2018
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 44,005	\$ 17,204
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	59,634	63,011
Gain on sale of assets	(34,835)	-
(Increase) decrease in the following assets:		
Pledges receivable	1,000	31,943
Grants receivable	(54,018)	(31,796)
Accounts receivable	15,577	(13,028)
Prepaid expenses	3,139	(3,240)
Increase (decrease) in the following liabilities:		
Accounts payable and accrued liabilities	32,055	11,599
Deferred income	(3,142)	6,442
Net cash provided by operating activities	<u>63,415</u>	<u>82,135</u>
<b>Cash flows from investing activities:</b>		
Sale of property	211,119	-
Purchase of investments	(157,300)	-
Acquisition of property and equipment	(7,980)	(13,640)
Net cash (used in) provided by investing activities	<u>45,839</u>	<u>(13,640)</u>
<b>Cash flows from financing activities:</b>		
Net proceeds from (payments on) line of credit	(62,500)	4,500
Payments on long-term debt	-	(48,659)
Net cash used in financing activities	<u>(62,500)</u>	<u>(44,159)</u>
<b>Net increase in cash and cash equivalents</b>	<b>46,754</b>	<b>24,336</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>43,799</u></b>	<b><u>19,463</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 90,553</u></b>	<b><u>\$ 43,799</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 1,065	\$ 4,147

See independent accountants' review report and notes to financial statements



# HUBBARD BROOK RESEARCH FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

### 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. Net assets are comprised of two groups as follows:

- Net assets without donor restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
- Net assets with donor restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Foundation. Certain restrictions may need to be maintained in perpetuity.

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.

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.

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, 2019 AND 2018

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

Revenue recognition – 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. 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, 2019 and 2018, 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 net assets with donor restrictions to net assets without donor restrictions 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 \$59,634 and \$63,011 for the years ended September 30, 2019 and 2018, respectively.

Investments – Investments, primarily consisting of exchange-traded funds and money market funds, are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in fair value of investments are reflected in the consolidated statements of activities and changes in net assets as increases or decreases in net assets without restrictions unless the use was restricted by explicit donor stipulations.

Fair Value Measures – The Foundation reports its fair value measures using a fair value hierarchy defined by accounting principles generally accepted in the United States of America that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

# HUBBARD BROOK RESEARCH FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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

The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are:

- Level 1 – Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, inputs supported by little or no market activity).

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, 2019. 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, 2018 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.

New accounting pronouncement – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Foundation's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

# HUBBARD BROOK RESEARCH FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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

Subsequent events – Management has evaluated events occurring between the end of the most recent fiscal year and February 14, 2020, the date the financial statements were available to be issued.

### Note 2. Investments:

The Foundation maintains an investment portfolio for the purpose of preserving principal of donor restricted funds. Investments in this portfolio at September 30, 2019 and 2018 consisted of the following aggregate grouping:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 51,233	\$ 51,233	\$ -	\$ -
Mutual funds	106,635	106,067	-	-
Total Investments	<u>\$ 157,868</u>	<u>\$ 157,300</u>	<u>\$ -</u>	<u>\$ -</u>

The following tables summarize assets which have been accounted for at fair value as of September 30, 2019 along with the level of fair value hierarchy as detailed in Note 1:

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 51,233	\$ 51,233	-	-
Mutual funds	106,067	106,067	-	-
	<u>\$ 157,300</u>	<u>\$ 157,300</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income related to these investments is included with revenues and gains on the statements of activities and was comprised of the following for the years ended September 30:

	2019	2018
Unrealized gains (losses)	\$ (568)	-
Interest and dividends	2,168	-
	<u>\$ 1,600</u>	<u>\$ -</u>

### Note 3. Line of credit:

The Foundation has available a line of credit in the amount of \$70,000 under an agreement with Ledyard National Bank. Principal is payable on demand. Interest is payable monthly at the Wall Street Journal prime rate (5.00% at September 30, 2019) 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 \$-0- and \$62,500 as of September 30, 2019 and 2018, respectively.

**HUBBARD BROOK RESEARCH FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**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 \$7,022 and \$6,818 in 2019 and 2018, respectively.

**Note 5. Board designated net assets:**

As of September 30, the Board designated net assets were for the following purposes:

	<u>2019</u>	<u>2018</u>
Capital reserve	\$ 106,635	\$ -
	<u>\$ 106,635</u>	<u>\$ -</u>

**Note 6. Net assets with donor restrictions:**

Net assets are restricted due to the following purposes or time periods as of September 30:

	<u>2019</u>	<u>2018</u>
Program specific related restrictions:		
Storage archive	\$ 51,233	\$ 15,000
Emergency fund	7,745	-
Likens recording project	1,200	-
Winter Climate Change	-	1,177
Time restrictions	<u>106,096</u>	<u>52,078</u>
	<u>\$ 166,274</u>	<u>\$ 68,255</u>

Net assets released from restrictions were as follows:

	<u>2019</u>	<u>2018</u>
Program specific related restrictions:		
Winter Climate Change	\$ 1,177	\$ 2,473
Emergency fund	1,695	-
Science Links	-	219
Forest Science Dialogues	-	22
Time restrictions	<u>266,117</u>	<u>359,318</u>
	<u>\$ 268,989</u>	<u>\$ 362,032</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 \$4,125 and \$6,032 for the years ended September 30, 2019 and 2018, respectively.

# HUBBARD BROOK RESEARCH FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

### Note 8. Related party transactions:

In January 2019, the Foundation sold one of its condominium units at its Mirror Lake property in Woodstock, NH to a member of the Board of Trustees for \$225,000. The Foundation continues to manage the unit in an ongoing capacity due to a management agreement with the Board member.

### Note 9. Liquidity and availability of resources:

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of that date.

	2019	2018
Cash and cash equivalents	\$ 90,553	\$ 43,799
Investments	157,300	-
Grants receivable	106,096	52,078
Account receivable	14,845	30,422
Pledges receivable	-	1,000
Total financial assets	368,794	127,299
Less those unavailable for general expenditures within one year due to:		
Donor imposed restrictions:		
Cash restricted to specific uses	8,945	16,177
Investment restricted to specific use	51,233	-
Restricted by donor with time restrictions	106,096	52,078
Board designations:		
Capital reserve	106,067	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 96,453</u>	<u>\$ 59,044</u>

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditures within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.