

HUBBARD HALL PROJECTS, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2016

HUBBARD HALL PROJECTS, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
SUPPLEMENTARY INFORMATION	
Statement of Functional Expenses	13

NOLAN CERTIFIED PUBLIC ACCOUNTING SERVICES, PLLC

TARA M. NOLAN, CPA
184 Edie Rd STE B
Saratoga Springs, NY 12866

Board of Trustees
Hubbard Hall Projects, Inc.
25 East Main Street
Cambridge, NY 12816

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Hubbard Hall Projects, Inc., a Not-for-Profit Entity, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hubbard Hall Projects, Inc. and the related consolidated statements of activities and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Hubbard Hall Projects, Inc.'s June 30, 2015 financial statements, as we expressed an unmodified audit opinion on those audited financials in our report dated September 10, 2015. In our opinion, the summarized comparative information presentation herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nolan Certified Public Accounting Services, PLLC

Saratoga Springs, New York
September 30, 2016

HUBBARD HALL PROJECTS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016
(with comparative totals for 2015)

Assets

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and Cash Equivalents	\$ 83,887	\$ 63,826
Accounts Receivable	11,617	5,291
Prepaid Expenses	9,264	5,761
Total Current Assets	<u>104,768</u>	<u>74,878</u>
Property and Equipment		
Buildings and Equipment	723,648	723,648
Building Improvements	708,666	708,666
Less: Accumulated Amortization	(1,245)	(1,111)
Less: Accumulated Depreciation	(511,940)	(480,487)
Total Property and Equipment	<u>919,129</u>	<u>950,716</u>
Other Assets		
Long Term Investments	24,350	24,350
Total Assets	<u>\$ 1,048,246</u>	<u>\$ 1,049,944</u>

Liabilities & Net Assets

Current Liabilities		
Accounts Payable	\$ 23,270	\$ 15,514
Deferred Revenue	35,853	33,707
Payroll Liabilities	3,153	5,743
Current Installment of Long Term Debt	11,843	11,364
Total Current Liabilities	<u>74,118</u>	<u>66,328</u>
Long Term Debt		
Long Term Debt, excluding Current portion	<u>145,455</u>	<u>156,668</u>
Total Liabilities	<u>219,573</u>	<u>222,996</u>
Unrestricted Net Assets		
Unrestricted	(171,598)	(195,995)
Board Restricted	943,479	975,066
Total Unrestricted	<u>771,881</u>	<u>779,071</u>
Temporarily Restricted Net Assets		
Use Restricted	56,792	47,876
Total Net Assets	<u>828,673</u>	<u>826,948</u>
Total Liabilities & Net Assets	<u>\$ 1,048,246</u>	<u>\$ 1,049,944</u>

HUBBARD HALL PROJECTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(with comparative totals for 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Other Support				
Contributions	\$ 153,486	\$ 37,000	\$ 190,486	\$ 205,756
Grants & Government Contributions	37,040	48,195	85,235	59,200
Program Income	187,534	-	187,534	210,905
Fundraising & Events, Net of Related Expenses of \$10,408 in 2016 and \$10,544 in 2015	17,138	-	17,138	18,920
Membership Dues	-	-	-	11,475
Management fee	31,170	-	31,170	26,160
Rental Income	11,105	-	11,105	17,856
Miscellaneous Income	80	-	80	108
Interest and Dividend Income	28	64	92	159
Community Service Income	7,790	-	7,790	12,693
Net Assets Released from Restrictions	76,343	(76,343)	-	-
Total Revenue and Other Support	521,714	8,916	530,630	563,233
Expenses				
Administrative	76,566	-	76,566	63,245
Buildings & Grounds	45,939	-	45,939	54,898
Payroll Taxes, Expenses & Benefits	28,376	-	28,376	32,036
Salaries & Wages	201,882	-	201,882	181,412
Program Expenses	143,897	-	143,897	178,057
Community Service Expenses	657	-	657	7,043
Depreciation	31,453	-	31,453	31,653
Amortization	134	-	134	134
Total Expenses	528,905	-	528,905	548,477
Increase in Net Assets	(7,191)	8,916	1,725	14,756
Net Asset Beginning of Year	779,071	47,876	826,948	812,192
Net Asset End of Year	\$ 771,880	\$ 56,792	\$ 828,673	\$ 826,948

HUBBARD HALL PROJECTS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash Flow from Operating Activities		
Change in Net Assets	\$ 1,725	\$ 14,754
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	31,453	31,653
Amortization	134	134
(Increase) Decrease in accounts receivable	(6,326)	(3,349)
(Increase)Decrease in prepaid expenses	(3,503)	3,541
Increase (Decrease) in accounts payable	7,755	(669)
Increase (Decrease) in deferred revenue	2,146	10,828
Increase (Decrease) in payroll liabilities	(2,590)	(1,897)
Net Cash Provided (Used) by Operating Activities	<u>30,794</u>	<u>54,995</u>
Cash Flow from Financing Activities		
Proceeds (Repayment) of debt	(10,734)	(11,368)
Net Cash Provided (Used) by Financing Activities	(10,734)	(11,368)
Cash Flow from Investing Activities		
Purchases of Fixed Assets	-	(51,707)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(51,707)</u>
Net increase (decrease) in cash	<u>20,060</u>	<u>(8,080)</u>
Cash and Equivalents, beginning of year	<u>63,826</u>	<u>71,906</u>
Cash and Cash Equivalents, end of year	<u>\$ 83,886</u>	<u>\$ 63,826</u>
Supplemental Information		
Interest Paid:	<u>\$ 8,762</u>	<u>\$ 8,497</u>

HUBBARD HALL PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting Policies

Business Activity

Hubbard Hall Projects, Inc. operates an arts and education center for the cultural benefit of individuals and families within the Cambridge community.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, in checking accounts, in savings accounts, and in money market funds. For purposes of the statement of cash flows, Hubbard Hall Projects, Inc. considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

The Organization uses the allowance method to account for uncollectible accounts receivable. For the year ended June 30, 2016, bad debt expense was \$500.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2016 were \$17,384.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash deposits in excess of the FDIC insurance limit. The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company is not exposed to any significant credit risk on cash and cash equivalents.

Buildings and Equipment

Fixed assets are carried at cost, less accumulated depreciation. Donated assets are carried at fair market value at the date of donation less accumulated depreciation. Maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of an asset are capitalized. Gains and losses from the sale of equipment are included in income. Depreciation is calculated on a straight-line basis utilizing the assets' estimated useful lives.

HUBBARD HALL PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Income Taxes

Hubbard Hall Projects, Inc. is an organization exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code; therefore, there is no provision for federal income taxes. The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. The Organization is no longer subject to examination by federal and state taxing authorities for years prior to fiscal year ended June 30, 2013.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets and Liabilities and Revenues and Expenses

Assets and liabilities and revenues and expenses are recognized on the accrual basis of accounting. Expenses are recorded as decreases in unrestricted net assets.

Financial Statement Presentation

The organization's net assets, the excess of assets over liabilities are reported in three mutually exclusive classes:

- *Permanently Restricted* – Net Assets resulting from inflows of assets whose use is limited by donor-imposed restrictions, which do not expire with the passage of time.
- *Temporarily Restricted* – Net Assets resulting from inflows of assets whose use is limited by donor-imposed restrictions, which expire by the passage of time or are fulfilled by action of the organization.
- *Unrestricted* – Net assets that are neither permanently or temporarily restricted.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor restricted contributions and investment returns are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. 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 restriction.

HUBBARD HALL PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

2. Cash & Cash Equivalents

Cash and Cash Equivalents as of June 30, 2016 consisted of \$83,887. All deposits are insured up the FDIC limit of \$250,000.

3. Accounts Receivable

Accounts receivable as June 30, 2016 totaled \$11,617. This amount represents \$9,177 due for program expenses or business advertising and a \$2,500 unconditional promise to give. The organization expects the total \$11,617 to be collected in the upcoming year, therefore no allowance for has been recorded for the year.

4. Property and Equipment

Property and equipment is carried at cost. Depreciation of property and equipment is computed using the straight-line method at rates based on the following estimated useful lives:

Buildings	10-35 years
Machinery	5-20 years
Autos and trucks	3-7 years
Office equipment	5-15 years
Assets acquired under capital	5-15 years

A Summary of Property and Equipment as of June 30, 2016 is:

Buildings and Equipment	723,648
Building Improvements	708,666
Less: Accumulated Amortization	(1,245)
Less: Accumulated Depreciation	<u>(511,940)</u>
Total Property and Equipment	<u>919,129</u>

Depreciation expense for the year ended June 30, 2016 totaled \$31,453.

**HUBBARD HALL PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

5. Investments

Hubbard Hall Projects, Inc. records its investments using the equity method.

2016

The Village Store	<u>\$ 24,350</u>
Total Investments	<u>\$ 24,350</u>

6. Long-Term Debt

2016

Loan payable to Benjamin White, Monthly installments of \$537.46, 3% interest, matures September 2023	\$ 41,976
---	-----------

Mortgage Payable to Community District Loan Fund Inc, monthly installments of \$1,055.98, 5% interest, matures August 01, 2018.	<u>\$ 115,321</u>
--	-------------------

Total Long Term Debt	\$ 157,297
<u>Less: Current Portion</u>	<u>(11,843)</u>
Net Long Term Debt	<u>\$ 145,455</u>

Maturities of Long Term Debt are as follows:

June 30

2017	11,843
2018	12,343
2019	13,030
2020	13,892
2021	14,576

HUBBARD HALL PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

7. Deferred Revenue

Deferred revenue represents monies collected in advance for the following year's activities. The income and expenses associated with the account balance will be reflected in the financial statement of the following year. The deferred revenue account balance as of June 30, 2016 was \$35,853.

8. Contributed Services

During the year ended June 30, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was \$225. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in various programs, but these services do not meet the criteria for recognition as contributed services.

9. Line of Credit

On July 29, 2014 Hubbard Hall Projects, Inc. was granted a secured line of credit in the amount of \$40,000 at 6% interest to meet operating cash flow requirements by The Community Loan Fund of the Capital Region. The Balance of the Line of Credit was \$0 as of June 30, 2016.

10. Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses (See Supplemental Information).

Accordingly, certain expenses have been allocated among the programs, fundraising events, general and administrative expenses.

Functional Expenses for the year ended June 30, 2016 are as follows:

Program	\$405,921
Management and General	81,767
Fundraising	<u>41,217</u>
Total	<u>\$528,905</u>

**HUBBARD HALL PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

11. Net Assets

The following is a summary of board restricted net assets:

	<u>6/30/2016</u>
Reserve for Investments	\$ 24,350
Reserve for Fixed Assets	<u>919,129</u>
Total	<u>\$ 943,479</u>

The following is a summary of temporarily restricted net assets:

	<u>6/30/2016</u>
Director's Fund	\$ 11,576
Scholarship Fund	654
Use Restricted	<u>44,562</u>
Total	<u>\$ 56,792</u>

12. Subsequent Events

Management has evaluated subsequent events through September 30, 2016 the date of the audit report. After the close of the fiscal year The Village Store has been repurposed and most of the inventory has been sold off. This change in business activity of The Village Store will negatively impact the Hubbard Hall Projects Inc.,'s investment in the company. It is expected that a decrease in the value of the investment will be realized in fiscal year 2017.

**Supplementary
Information**

HUBBARD HALL PROJECTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(with comparative totals for 2015)

	<u>2016</u>			<u>2015</u>	
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Staff Salaries & Wages	\$ 120,210	\$ 59,725	\$ 21,948	\$ 201,882	\$ 181,412
Payroll Taxes & Expenses	20,431	5,675	2,270	28,376	32,036
Employee Benefits	-	-	-	-	-
Advertising	17,384	-	-	17,384	14,063
Amortization	134	-	-	134	134
Artist Fees	59,583	-	-	59,583	88,695
Bank Charges	-	865	-	865	1,029
Bad Debt	500	-	-	500	-
Concession Expenses	796	-	-	796	266
Community Service	657	-	-	657	7,043
Credit Card Charges	-	5,942	-	5,942	5,886
Depreciation	31,453	-	-	31,453	31,653
Dues & Subscriptions	-	345	-	345	1,080
Equipment Expense	4,820	-	-	4,820	5,439
Equipment Maintenance	-	-	-	-	-
Finance Charge	-	5	-	5	24
Insurance	7,407	1,043	-	8,450	9,035
Interest	7,044	1,718	-	8,762	8,497
Misc. Expense	1,816	-	-	1,816	594
Office Expense	5,413	1,339	1,040	7,792	6,099
Postage & Shipping	3,100	767	596	4,462	3,297
Printing & Publications	13,459	-	13,459	26,919	17,924
Production Expenses	28,326	-	-	28,326	30,606
Professional Fees	-	2,275	-	2,275	3,175
Program Expenses	2,804	-	-	2,804	2,673
Property Taxes	96	-	-	96	91
Repairs & Maintenance	9,912	-	-	9,912	13,579
Supplies	5,492	-	-	5,492	5,317
Telephone	1,763	436	339	2,538	2,686
Travel	-	1,633	-	1,633	738
Utilities	14,032	-	-	14,032	21,679
Website	1,565	-	1,565	3,131	3,351
Workshop Expenses	47,721	-	-	47,721	50,378
Total Expenses	\$ 405,921	\$ 81,767	\$ 41,217	\$ 528,905	\$ 548,479