HIGHLANDS BUSINESS PARTNERSHIP, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2014

HIGHLANDS BUSINESS PARTNERSHIP, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Highlands Business Partnership, Inc.

We have audited the accompanying financial statements of Highlands Business Partnership, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors (the "Board") 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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 Highlands Business Partnership, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2015, on our consideration of Highlands Business Partnership, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Highlands Business Partnership, Inc.'s internal control over financial reporting and compliance.

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THE CURCHIN GROUP, LLC

Red Bank, New Jersey
April 13, 2015

HIGHLANDS BUSINESS PARTNERSHIP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

	Total
CURRENT ASSETS:	
Cash	$ 62,987
Accounts receivable	3,325
Equipment, net of accumulated depreciation	2,630
	$ 68,942

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable and accrued expenses	$ 3,500
NET ASSETS:	
Net deficit - unrestricted	(9,431)
Net assets - temporarily restricted	74,873
	$ 65,442
	$ 68,942

See accompanying notes to financial statements.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE:			
Assessment revenue	$ 50,555	$ -	$ 50,555
Sponsorship	8,500	-	8,500
Sponsorship - barter	27,450	-	27,450
Restricted donations	-	14,771	14,771
Grant income	-	14,062	14,062
Events	122,847	-	122,847
Visitor guide income	7,350	-	7,350
Total revenue	216,702	28,833	245,535
Net assets released from restrictions due to satisfaction of requirements	121,613	(121,613)	-
	338,315	(92,780)	245,535
EXPENSES:			
Visual improvements	14,970	-	14,970
Events	109,928	-	109,928
Marketing	27,285	-	27,285
Administrative expenses	40,047	-	40,047
Economic development	4,524	-	4,524
Accounting	3,500	-	3,500
Dues and publications	1,118	-	1,118
Hope for Highlands	107,551	-	107,551
Depreciation	952	-	952
Other	24,398	-	24,398
Total expenses	334,273	-	334,273
CHANGE IN NET ASSETS	4,042	(92,780)	(88,738)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(13,473)	167,653	154,180
NET ASSETS (DEFICIT), END OF YEAR	$ (9,431)	$ 74,873	$ 65,442

See accompanying notes to financial statements.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

		Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(88,738)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense		952
Changes in operating assets and liabilities:		
Accounts receivable		96,875
Accounts payable and accrued expenses		(7,804)
Net cash flows from operating activities		1,285
NET CHANGE IN CASH		1,285
CASH, BEGINNING OF YEAR		61,702
CASH, END OF YEAR	$	62,987

See accompanying notes to financial statements.

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization - Highlands Business Partnership, Inc. (the "Organization") was formed in 1999 for the purpose of serving as the management corporation for the Highlands Business Improvement District. For 2014, the Organization has expanded its purpose to provide assistance for the rebuilding of Highlands' residences and businesses.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization 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 subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. 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.
>
> ***Permanently Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets at December 31, 2014.

Revenue Recognition - Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions.

Income Taxes - Highlands Business Partnership, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the code is subject to federal income tax. The Organization had no unrelated business income for the year ended December 31, 2014.

The Organization follows the accounting guidance for uncertain tax positions, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that a tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

The Board has determined that there are no unrecognized tax benefits that will significantly increase or decrease over the next twelve months, nor has the Organization incurred any interest or penalties related to income tax expense during the year ended December 31, 2014. Generally, in accordance with the statutes of limitations, the Organization is no longer subject to income examinations for returns filed for years before 2011.

Equipment - Equipment is stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the period incurred. When items of equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation of equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates (Continued) - amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Advertising - Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2014 was $6,211. There was also a Barter agreement for advertising which is recorded as Revenue and Expense in the amount of $6,750.

Date of Management's Review - In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 13, 2015, the date the financial statements were available to be issued.

NOTE 2 - EQUIPMENT:

Equipment at December 31, 2014 consisted of the following:

Furniture & fixtures	$ 2,811
Office equipment	2,850
Less: Accumulated depreciation	(3,031)
	$ 2,630

NOTE 3 - RELATED PARTY TRANSACTIONS:

During the year ended December 31, 2014, the Organization paid a company owned by the Board President and her spouse $11,521 for Website design services and brochure ads.

During the year ended December 31, 2014, the Organization paid companies owned by other Board members $7,882, for visual improvement expenses, gift certificates and event food services.

NOTE 4 - BARTER EXCHANGE TRANSACTIONS:

During 2014, the Organization engaged in non-cash barter exchange transactions. These transactions are recorded at fair market value when the goods and/or services are received. The goods and services included as expense against the sponsorship-barter income were for Advertising and Visual Improvement Services.

NOTE 5 - CONCENTRATION OF CREDIT RISK:

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist primarily of cash. The Organization maintained cash in one financial institution during the year ended December 31, 2014. At times, cash balances may exceed insured limits.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ONAN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Highlands Business Partnership, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Highlands Business Partnership, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Highlands Business Partnership, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Highlands Business Partnership, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Highlands Business Partnership, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Highlands Business Partnership, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Curchin Group

THE CURCHIN GROUP, LLC

Red Bank, New Jersey
April 13, 2015