



Highlands Business Partnership, Inc.

Financial Statements

December 31, 2017 and 2016



Independent Auditors' Report

To the Board of Directors Highlands Business Partnership, Inc.

We have audited the accompanying financial statements of the Highlands Business Partnership, Inc. which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 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 auditors' 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 management, 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 the Highlands Business Partnership, Inc. as of December 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

June 19, 2018

Highlands Business Partnership, Inc.

Statements of Financial Position

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash	\$ 9,414	\$ 13,967
Property and equipment, net	<u>6,079</u>	<u>1,985</u>
	<u>\$ 15,493</u>	<u>\$ 15,952</u>
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 5,250	\$ 9,000
Net Assets (Deficiency)		
Unrestricted	9,084	(4,726)
Temporarily restricted	<u>1,159</u>	<u>11,678</u>
Total Net Assets	<u>10,243</u>	<u>6,952</u>
	<u>\$ 15,493</u>	<u>\$ 15,952</u>

Highlands Business Partnership, Inc.

Statements of Activities

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES						
Assessment	\$ 70,000	\$ -	\$ 70,000	\$ 60,000	\$ -	\$ 60,000
Contributions	-	-	-	2,700	-	2,700
Visitor guide ads	4,650	-	4,650	-	-	-
Sponsored events	123,718	-	123,718	114,985	-	114,985
Sponsorships	10,200	-	10,200	11,000	-	11,000
Sponsorships - barter	27,000	-	27,000	26,250	-	26,250
Net assets released from restriction	10,519	(10,519)	-	9,692	(9,692)	-
Total Revenues and Support	<u>246,087</u>	<u>(10,519)</u>	<u>235,568</u>	<u>224,627</u>	<u>(9,692)</u>	<u>214,935</u>
EXPENSES						
Program services	182,133	-	182,133	188,502	-	188,502
Management and general	50,144	-	50,144	51,535	-	51,535
Total Expenses	<u>232,277</u>	<u>-</u>	<u>232,277</u>	<u>240,037</u>	<u>-</u>	<u>240,037</u>
Change in Net Assets	13,810	(10,519)	3,291	(15,410)	(9,692)	(25,102)
NET ASSETS						
Beginning of year	<u>(4,726)</u>	<u>11,678</u>	<u>6,952</u>	<u>10,684</u>	<u>21,370</u>	<u>32,054</u>
End of year	<u>\$ 9,084</u>	<u>\$ 1,159</u>	<u>\$ 10,243</u>	<u>\$ (4,726)</u>	<u>\$ 11,678</u>	<u>\$ 6,952</u>

Highlands Business Partnership, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Visual improvements	\$ 8,433	\$ -	\$ 8,433	\$ 16,064	\$ -	\$ 16,064
Marketing	24,233	-	24,233	18,977	-	18,977
Personnel	9,811	39,242	49,053	-	42,564	42,564
Sponsorship - barter	27,000	-	27,000	26,250	-	26,250
Sponsored events	89,462	-	89,462	89,976	-	89,976
Donations	16,081	-	16,081	26,572	-	26,572
Accounting	-	5,325	5,325	-	5,125	5,125
Depreciation	-	906	906	-	1,492	1,492
Office	-	2,458	2,458	-	2,354	2,354
Utilities	-	2,213	2,213	-	-	-
Other expenses	7,113	-	7,113	10,663	-	10,663
Total Expenses	<u>\$ 182,133</u>	<u>\$ 50,144</u>	<u>\$ 232,277</u>	<u>\$ 188,502</u>	<u>\$ 51,535</u>	<u>\$ 240,037</u>

Highlands Business Partnership, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,291	\$ (25,102)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	906	1,492
Changes in operating assets and liabilities		
Accounts receivable	-	3,650
Accounts payable and accrued expenses	<u>(3,750)</u>	<u>4,347</u>
Net Cash from Operating Activities	447	(15,613)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(5,000)</u>	<u>(1,800)</u>
Net Change in Cash	(4,553)	(17,413)
CASH		
Beginning of year	<u>13,967</u>	<u>31,380</u>
End of year	<u>\$ 9,414</u>	<u>\$ 13,967</u>

Highlands Business Partnership, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

1. Organization

The Highlands Business Partnership, Inc. ("HBP") operates as a non profit, District Management Corporation as created by the Highlands Municipal Ordinance 0-99-06. HBP was established in 1999 for the purpose of serving as the management and financing tool used by local commercial stakeholders and businesses to provide specialized services such as physical improvements, security, special events, holiday lighting, area marketing and business promotion. The services of HBP are designed to compliment municipal government services in order to implement business revitalization. In 2014, HBP expanded its purpose to provide assistance for the rebuilding of Highlands' residences and businesses in the aftermath of Hurricane Sandy.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements requires management to make certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from the estimates.

Net Asset Presentation

HBP's financial statements distinguish between unrestricted temporarily restricted and permanently restricted net assets. Net assets consist of the following:

Unrestricted – Net assets that are not subject to donor imposed stipulations and that may be expended for any purpose in achieving the primary objective of HBP.

Temporarily Restricted – Net assets that are subject to donor-imposed stipulations that will be met either by passage of time or by actions of HBP. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statements of activities as net assets released from restrictions.

Permanently Restricted – Net assets that are subject to donor imposed stipulations that do not expire with the passage of time. At December 31, 2017 and 2016, HBP had no permanently restricted net assets

Highlands Business Partnership, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies *(continued)*

Support and Revenue

HBP reports gifts of cash, other assets and long-lived assets as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, this is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period in which they are received, such amounts are reported as unrestricted net assets.

Revenue Recognition

Revenues are recognized in the period the contribution is received. Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event.

Property and Equipment

Property and equipment is stated at cost. HBP capitalizes property and equipment if its value is greater than \$2,000 and its useful life is more than 1 year. Depreciation is recorded using the straight-line method over the estimated useful life of the assets ranging from 5 – 7 years. Costs related to normal repairs and maintenance is expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject HBP to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit.

Highlands Business Partnership, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies *(continued)*

Tax Status and Accounting for Uncertainty in Income Taxes

HBP is a not-for-profit organization that is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code under Title 15 in the State of New Jersey. HBP files Form 990 with the Internal Revenue Service and form CRI-300 with the State of New Jersey.

HBP recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that HBP had no uncertain tax positions that would require financial statement recognition or disclosure. HBP is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2014.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is June 19, 2018.

3. Property and Equipment

Property and equipment at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	2,811	\$ 2,811
Equipment	<u>9,650</u>	<u>4,650</u>
	12,461	7,461
Accumulated depreciation	<u>(6,382)</u>	<u>(5,476)</u>
	<u>\$ 6,079</u>	<u>\$ 1,985</u>

4. Related Party Transactions *(not disclosed elsewhere)*

During the year ended December 31, 2017, HBP paid a company owned by the Board President and her spouse approximately \$17,400 for website design and brochure ads.

During the year ended December 31, 2017, HBP paid companies owned by other Board members \$4,200 for visual improvement expense, gift certificates and event food services.

5. Barter Exchange Transactions

During 2017, HBP engaged in non-cash barter exchange transactions. These transactions are recorded at fair market value when goods or services are received. The goods and services included as expense against the sponsorship barter income were for event marketing and visual improvement services.

Highlands Business Partnership, Inc.

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6. Donated Services

HBP operates out of an office owned by the HBP President and her spouse located in the borough of Highlands. HBP is not charged rent for the use of the office space which has been approximated at \$14,000.

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