

HIGHLANDS BUSINESS PARTNERSHIP, INC.

**FINANCIAL REPORT
DECEMBER 31, 2007**

HIGHLANDS BUSINESS PARTNERSHIP, INC.

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-7



CURCHIN

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Highlands Business Partnership, Inc.

We have audited the accompanying statements of financial position of Highlands Business Partnership, Inc. as of December 31, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Curchin Group

THE CURCHIN GROUP, LLC

Red Bank, New Jersey
May 27, 2008

THE CURCHIN GROUP LLC

ASSURANCE SERVICES :: TAX :: FINANCIAL PLANNING :: BUSINESS ADVISORY

125 Half Mile Road, Red Bank, New Jersey 07701-6749 (732) 747-0500 FAX (732) 747-7700 www.curchin.com

HIGHLANDS BUSINESS PARTNERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	<u>2007</u>	<u>2006</u>
Cash and equivalents	\$ 404	\$ 3,582
Accounts receivable	8,750	6,750
Equipment, net of accumulated depreciation	<u>690</u>	<u>870</u>
	<u>\$ 9,844</u>	<u>\$ 11,202</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 5,817	\$ 4,236
NET ASSETS:		
Unrestricted	<u>4,027</u>	<u>6,966</u>
	<u>\$ 9,844</u>	<u>\$ 11,202</u>

See accompanying notes to financial statements.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31,

	2007	2006
REVENUE:		
Assessment revenue	\$ 95,050	\$ 92,000
Sponsorship	11,500	14,500
Sponsorship - Barter	24,000	14,250
Events	62,525	56,095
Grants	450	15,400
Interest and dividend income	20	292
Donated services	9,808	-
Water taxi	803	1,410
Total revenue	204,156	193,947
EXPENSES:		
Visual improvements	15,316	27,394
Events	91,392	85,216
Marketing	32,353	35,285
Administrative expenses	21,636	28,667
Accounting	4,371	3,515
Dues and publications	301	840
Economic development	66	5,314
Water taxi	37,788	46,269
Depreciation	180	30
Other	3,692	3,518
Total expenses	207,095	236,048
CHANGE IN UNRESTRICTED NET ASSETS	(2,939)	(42,101)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	6,966	49,067
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 4,027	\$ 6,966

See accompanying notes to financial statements.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	\$ (2,939)	\$ (42,101)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	180	30
Changes in operating assets and liabilities:		
Accounts receivable	(2,000)	(6,750)
Due from Borough of Highlands	-	5,695
Accounts payable and accrued expenses	1,581	1,238
Net cash flows from operating activities	(3,178)	(41,888)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of office equipment	-	(900)
Proceeds from the sale of investments	-	3,808
Net cash flows from investing activities	-	2,908
 NET CHANGE IN CASH AND EQUIVALENTS	(3,178)	(38,980)
 CASH AND EQUIVALENTS, BEGINNING OF YEAR	3,582	42,562
 CASH AND EQUIVALENTS, END OF YEAR	\$ 404	\$ 3,582

See accompanying notes to financial statements.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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. The Organization’s major source of revenue is provided by assessments of the commercial properties located in the Highlands Business Improvement District.

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. There are no temporarily restricted net assets at December 31, 2007 and 2006.

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, 2007 and 2006.

Cash Equivalents – Cash equivalents consist of interest-bearing money market funds.

Income Taxes – The Organization is a qualified tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and State income taxes.

Investments – Investments in mutual funds are carried at fair market value. Fair market value is determined by quotations obtained from registered securities exchanges. Unrealized gains and losses are reported as changes in unrestricted net assets.

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 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 years ended December 31, 2007 and 2006 was \$26,865 and \$26,189, respectively.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED):

The spouse of the Organization's Business Advocate is a councilman for the Highlands. The Organization paid the Business Advocate \$0 and \$9,163 for administrative services for the years ended December 31, 2007 and 2006, respectively.

During the year ended December 31, 2007 and 2006, the Organization paid Keyport Landings, LLC \$15,114 and \$14,900, respectively, for charter services relating to the Rip Ryder III. The Rip Ryder III is chartered by the Highlands Business Partnership to provide the water taxi services during the summer months. The boat is owned by Keyport Landings, LLC and Captains Cove Marina. Keyport Landings, LLC is owned by the Board Vice President and Captains Cove Marina is owned by a Board member. During 2006 the Highlands Business Partnership also paid the Board member for repairs and maintenance to the Rip Ryder III totaling \$695. A charter agreement governs the costs paid by the Organization.

NOTE 6 – DONATED SERVICES:

The Organization received \$7,648 of donated repairs and \$2,160 of donated dock and storage space for the water taxi boat during 2007. These donated services are accounted for on the financial statements under donated services.

NOTE 7 – BARTER EXCHANGE TRANSACTIONS:

During 2007 and 2006 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. During 2007 and 2006 the amounts included in sponsorship income resulting from bartering transactions were \$24,000 and \$14,250, respectively. The amount included in special event expenses resulting from bartering transactions for 2007 and 2006 were \$24,000 and \$14,250, respectively.