HIGHLANDS BUSINESS PARTNERSHIP, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2012

HIGHLANDS BUSINESS PARTNERSHIP, INC.

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CURCHIN

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, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Board of Director's 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. 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, 2012, 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.

The Curchin Group

THE CURCHIN GROUP, LLC

Red Bank, New Jersey
November 4, 2013

THE CURCHIN GROUP LLC
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HIGHLANDS BUSINESS PARTNERSHIP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS:			
Cash	$ 350	$ 63,535	$ 63,885
Accounts receivable	1,300	-	1,300
Equipment, net of accumulated depreciation	906	-	906
	$ 2,556	$ 63,535	$ 66,091
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable and accrued expenses	$ 3,400	$ -	$ 3,400
Overdraft of cash account	3,374	-	3,374
	6,774	-	6,774
NET ASSETS:			
Net assets (deficit)	(4,218)	63,535	59,317
	$ 2,556	$ 63,535	$ 66,091

See accompanying notes to financial statements.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE:			
Assessment revenue	$ 35,000	$ -	$ 35,000
Sponsorship	12,825	-	12,825
Sponsorship - Barter	20,250	-	20,250
Restricted donations	-	74,826	74,826
Events	97,137	-	97,137
Miscellaneous	8,125	-	8,125
Total revenue	173,337	74,826	248,163
EXPENSES:			
Visual improvements	16,455	-	16,455
Events	90,768	-	90,768
Marketing	21,869	-	21,869
Administrative expenses	25,532	-	25,532
Accounting	3,400	-	3,400
Dues and publications	410	-	410
Depreciation	227	-	227
Restricted expenses	-	11,291	11,291
Other	17,756	-	17,756
Total expenses	176,417	11,291	187,708
CHANGE IN NET ASSETS	(3,080)	63,535	60,455
NET DEFICIT, BEGINNING OF YEAR	(1,138)	-	(1,138)
NET ASSETS (DEFICIT), END OF YEAR	$ (4,218)	$ 63,535	$ 59,317

See accompanying notes to financial statements.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	60,455
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense		227
Changes in operating assets and liabilities:		
Accounts receivable		(1,300)
Accounts payable and accrued expenses		3,374
Net cash flows from operating activities		62,756
CASH FLOWS FROM INVESTING ACTIVITIES :		
Purchase of office equipment		(1,133)
NET CHANGE IN CASH		61,623
CASH, BEGINNING OF YEAR		2,262
CASH, END OF YEAR	$	63,885

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 2012, 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, 2012.

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, 2012.

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, 2012. Generally, in accordance with the statutes of limitations, the Organization is no longer subject to income examinations for returns filed for years before 2010.

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 report

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, 2012 was $9,263. 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 November 4, 2013, the date the financial statements were available to be issued.

NOTE 2 - EQUIPMENT:

Equipment at December 31, 2012 consisted of the following:

Office equipment	$ 2,033
Less: Accumulated depreciation	(1,127)
	$ 906

NOTE 3 - RELATED PARTY TRANSACTIONS:

The Organization paid a company owned by the Board President and her spouse $8,228 during the year ended December 31, 2012, for Website design services and brochure ads.

During the year ended December 31, 2012, the Organization paid companies owned by other Board members $5,244, for visual improvement expenses, gift certificates and event food services.

NOTE 4 - BARTER EXCHANGE TRANSACTIONS:

During 2012, 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, 2012. At times, cash balances may exceed insured limits.