



Highlands Business Partnership, Inc.

Financial Statements

December 31, 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 statement of financial position as of December 31, 2016 and the related statements of activities, functional expenses and cash flows for the year 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 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 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.

Board of Directors
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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, 2016 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.

PKF O'Connor Davies, LLP

Livingston, NJ
November 9, 2017

Highlands Business Partnership, Inc

Statement of Financial Position December 31, 2016

ASSETS

Current Assets

Cash	\$ 13,967
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Property and equipment, net	<u>1,985</u>
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	<u>\$ 15,952</u>
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LIABILITIES AND NET ASSETS (DEFICIENCY)

Current Liabilities

Accounts payable and accrued expenses	\$ 9,000
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Net Assets (Deficiency)

Unrestricted	(4,726)
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Temporarily restricted	<u>11,678</u>
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Total Net Assets	<u>6,952</u>
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	<u>\$ 15,952</u>
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See notes to financial statements

Highlands Buiness Partnership, Inc

Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Assessment	\$ 60,000	\$ -	\$ 60,000
Contributions	2,700	-	2,700
Sponsored events	114,985	-	114,985
Sponsorships	11,000	-	11,000
Sponsorships - barter	26,250	-	26,250
Net assets released from restriction	9,692	(9,692)	-
Total Support and Revenues	224,627	(9,692)	214,935
EXPENSES			
Program service expenses	188,502	-	188,502
General and administrative expenses	51,535	-	51,535
Total Expenses	240,037	-	240,037
Change in Net Assets	(15,410)	(9,692)	(25,102)
NET ASSETS (DEFICIENCY)			
Beginning of year	10,684	21,370	32,054
End of year	\$ (4,726)	\$ 11,678	\$ 6,952

See notes to financial statements

Highlands Buiness Partnership, Inc

Statement of Functional Expenses
Year Ended December 31, 2016

PROGRAM SERVICE EXPENSES

Visual improvements	\$ 16,064
Marketing	18,977
Sponsorship - barter	26,250
Sponsored events	89,976
Dues and publications	952
Donations	26,572
Other	<u>9,711</u>
Total Program Service Expenses	<u>\$ 188,502</u>

GENERAL AND ADMINISTRATIVE EXPENSES

Administrative expenses	\$ 44,918
Accounting	5,125
Depreciation	<u>1,492</u>
Total General and Administrative Expenses	<u>\$ 51,535</u>

Highlands Business Partnership, Inc.

Statement of Cash Flows
Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (25,102)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	1,492
Changes in operating assets and liabilities	
Accounts receivable	3,650
Accounts payable and accrued expenses	<u>4,347</u>
Net Cash from Operating Activities	(15,613)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(1,800)</u>
Net Change in Cash	(17,413)

CASH

Beginning of year	<u>31,380</u>
End of year	<u>\$ 13,967</u>

See notes to financial statements

Highlands Business Partnership, Inc.

Notes to Financial Statements

December 31, 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. 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 action of HBP.

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

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.

Highlands Business Partnership, Inc.

Notes to Financial Statements
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenues are recognized in the period earned.

Property and Equipment

HBP follows the practice of capitalizing all expenditures for property and equipment if its value is greater than \$2,000 and its useful life is more than 1 year. Property and equipment is carried at cost and depreciated using the straight-line method over the estimated useful life of 5 years. Costs related to normal repairs and maintenance are expensed as incurred. Gain or loss from disposition is reflected in the statement of activities in the period of disposition.

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 limit.

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, 2013.

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 November 9, 2017.

Highlands Business Partnership, Inc.

Notes to Financial Statements
December 31, 2016

3. Property and Equipment

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

Furniture and fixtures	\$	2,811
Equipment		4,650
		<u>7,461</u>
Accumulated depreciation		<u>(5,476)</u>
Net	\$	<u>1,985</u>

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

During the year ended December 31, 2016, HBP paid a company owned by the Board President and her spouse approximately \$8,000 for website design and brochure ads.

During the year ended December 31, 2016, HBP paid companies owned by other Board members \$6,340 for visual improvement expense, gift certificates and event food services.

5. Barter Exchange Transactions

During 2016, 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.

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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