



Highlands Business Partnership, Inc.

Financial Statements

December 31, 2018 and 2017



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, 2018 and 2017, 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 Highlands Business Partnership, Inc. as of December 31, 2018 and 2017, 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.

Board of Directors
Highlands Business Partnership, Inc.
Page 2

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018 Highlands Business Partnership, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our conclusion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

April 17, 2019

Highlands Business Partnership, Inc.

Statements of Financial Position

	December 31,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 4,157	\$ 9,414
Property and equipment, net	<u>16,514</u>	<u>6,079</u>
	<u>\$ 20,671</u>	<u>\$ 15,493</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 12,075	\$ 5,250
Grants received in advance	8,125	-
Sponsorships received in advance	<u>4,500</u>	<u>-</u>
Total Current Liabilities	<u>24,700</u>	<u>5,250</u>
Net assets (deficit) - without donor restriction	(4,029)	9,084
Net assets - with donor restriction	<u>-</u>	<u>1,159</u>
Total Net Assets (Deficit)	<u>(4,029)</u>	<u>10,243</u>
	<u>\$ 20,671</u>	<u>\$ 15,493</u>

Highlands Business Partnership, Inc

Statements of Activities

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
SUPPORT AND REVENUES						
Assessment	\$ 70,000	\$ -	\$ 70,000	\$ 70,000	\$ -	\$ 70,000
Grant income	-	19,250	19,250	-	-	-
Contributions	200	-	200	-	-	-
Visitor guide ads	3,550	-	3,550	4,650	-	4,650
Sponsored events	107,822	-	107,822	123,718	-	123,718
Sponsorships	13,750	-	13,750	10,200	-	10,200
Sponsorships - barter	20,250	-	20,250	27,000	-	27,000
Net assets released from restriction	20,409	(20,409)	-	10,519	(10,519)	-
Total Revenues and Support	235,981	(1,159)	234,822	246,087	(10,519)	235,568
EXPENSES						
Program services	206,309	-	206,309	180,179	-	180,179
Management and general	42,785	-	42,785	52,098	-	52,098
Total Expenses	249,094	-	249,094	232,277	-	232,277
Change in Net Assets	(13,113)	(1,159)	(14,272)	13,810	(10,519)	3,291
NET ASSETS						
Beginning of year	9,084	1,159	10,243	(4,726)	11,678	6,952
End of year	\$ (4,029)	\$ -	\$ (4,029)	\$ 9,084	\$ 1,159	\$ 10,243

Highlands Business Partnership, Inc

Statements of Functional Expenses

	Year Ended December 31, 2018					Year Ended December 31, 2017		
	Member Services	Cooperative Marketing	Total Program Service	Management and General	Total	Program Services	Management and General	Total
Visual improvements	\$ 8,398	\$ -	\$ 8,398	\$ -	\$ 8,398	\$ 8,433	\$ -	\$ 8,433
Marketing	6,152	12,759	18,911	-	18,911	531	-	531
Brochures and ads	1,183	3,075	4,258	-	4,258	13,148	-	13,148
Website	5,738	7,650	13,388	-	13,388	10,554	-	10,554
Reimbursement grants	5,100	-	5,100	-	5,100	-	-	-
Personnel/ interns	23,370	-	23,370	7,790	31,160	9,811	39,242	49,053
Payroll	9,734	-	9,734	14,600	24,334	-	-	-
Payroll tax	1,066	-	1,066	1,598	2,664	-	-	-
Payroll fees	-	-	-	317	317	-	-	-
Sponsorship - barter	20,250	-	20,250	-	20,250	27,000	-	27,000
Sponsored events	92,567	-	92,567	-	92,567	89,462	-	89,462
Donations	6,110	-	6,110	-	6,110	16,081	-	16,081
Professional fees	-	-	-	11,628	11,628	-	5,325	5,325
Depreciation	-	-	-	1,198	1,198	-	906	906
Insurance	-	-	-	1,930	1,930	-	1,954	1,954
Office	-	-	-	1,408	1,408	-	2,458	2,458
Utilities	-	-	-	2,315	2,315	-	2,213	2,213
Other expenses	3,158	-	3,158	-	3,158	5,159	-	5,159
Total Expenses	\$ 182,825	\$ 23,484	\$ 206,309	\$ 42,785	\$ 249,094	\$ 180,179	\$ 52,098	\$ 232,277

Highlands Business Partnership, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (14,272)	\$ 3,291
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,198	906
Changes in operating assets and liabilities		
Accounts payable and accrued expenses	6,825	(3,750)
Grants received in advance	8,125	-
Sponsorships received in advance	4,500	-
Net Cash from Operating Activities	<u>6,376</u>	<u>447</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(11,633)</u>	<u>(5,000)</u>
Net Change in Cash	(5,257)	(4,553)
CASH		
Beginning of year	<u>9,414</u>	<u>13,967</u>
End of year	<u>\$ 4,157</u>	<u>\$ 9,414</u>

Highlands Business Partnership, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

1. Organization

The Highlands Business Partnership, Inc. ("HBP") operates as a nonprofit, 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 complement 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 accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 reporting period. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

On January 1, 2018, the HBP adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the HBP to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guideline requires the HBP to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

Net Asset Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified as follows:

Net Assets Without Donor Restrictions - Net assets that generally result from donations that are not subject to donor-imposed restrictions, revenues generated from fundraising activities, and earnings on investments reduced by expenses incurred in providing program services, organizing fundraising events, and performing administrative functions.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed purpose restrictions. See Note 6.

Highlands Business Partnership, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

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

Revenues and Support

HBP reports gifts of cash, other assets and long-lived assets as increases in net assets with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In the absence of donor specifications that income and gains on donated funds are restricted, such income and gains are reported as revenues of net assets without donor restrictions.

Revenue Recognition

Revenues consists primarily of program assessment income, grant funding, and program event revenue. Program event revenue is recognized when the event takes place.

Property and Equipment

Property and equipment is stated at cost. HBP capitalizes property and equipment if its value is greater than \$1,500 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.

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 April 17, 2019.

Highlands Business Partnership, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

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, 2015.

3. Property and Equipment

Property and equipment at December 31 consist of the following:

	2018	2017
Furniture and fixtures	\$ 2,810	\$ 2,810
Shed	14,933	5,000
Equipment	<u>6,350</u>	<u>4,650</u>
	24,093	12,460
Accumulated depreciation	<u>(7,579)</u>	<u>(6,381)</u>
	<u>\$ 16,514</u>	<u>\$ 6,079</u>

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

During the year ended December 31, 2018, HBP paid a company owned by the Board President and her spouse approximately \$19,590 for website design and brochure ads.

During the year ended December 31, 2018, HBP paid companies owned by other Board members \$11,652 for visual improvement expense, gift certificates and event food services.

5. Barter Exchange Transactions

During 2018, 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.

Notes to Financial Statements
December 31, 2018 and 2017

6. Net Assets With Donor Restriction

In 2018, the HBP was awarded a grant by the State of New Jersey Division of Travel and Tourism. The grant contributions are donor restricted for the purpose of promoting and marketing specific tourism opportunities in New Jersey. During 2018, the HBP received contributions in the amount of \$19,250 and released \$20,409 as donor-imposed restrictions were satisfied. As of December 31, 2018 and 2017, the HBP has net assets with donor restrictions of \$0 and \$1,159.

7. 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.

8. Liquidity and Availability of Financial Assets

The HBP's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of assets, liabilities and net assets were are follows:

Financial Assets:	
Cash	<u>\$4,157</u>

As part of the HBP's liquidity management strategy, the HBP structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The HBP is supported by unrestricted revenues derived predominately from sponsored program event revenues and a State Assessment. HBP is the Management Corporation for the Borough's Business Improvement District - commercial property owners pay an additional assessment to the municipality which funds the HBP. The amount is based on the HBP approved budget submitted to the Borough, each of the 180 commercial businesses are assessed their fair share of the assessment.

The HBP's remaining unrestricted working capital and cash flows have cyclical variations during the year attributable to the timing of various events and the related cash receipts generated from those events.
