

HIGHLANDS BUSINESS PARTNERSHIP, INC.

Financial Statements

For the Year Ended December 31, 2019 and December 31, 2018

(With Independent Auditor's Report thereon)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Highlands Business Partnership, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Highlands Business Partnership and related entity (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities 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 controls 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 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 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 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, 2019, 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.

Prior Period Financial Statements

The financial statements of Highlands Business Partnership, Inc. as December 31, 2018, were audited by other auditors whose report dated April 17, 2019, expressed an unmodified opinion on those statements.

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

Toms River, New Jersey

October 26, 2020

Highlands Business Partnership, Inc.
Statement of Financial Position

	2019	2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,047	\$ 4,157
Accounts Receivable	4,063	-
	6,110	4,157
Total Current Assets		
Capital Assets, Net of Accumulated Depreciation (Note 4)	16,816	16,514
	\$ 22,926	\$ 20,671
	22,926	20,671
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 800	\$ 12,075
Grants Received in Advance	-	8,125
Sponsorships Received in Advance	-	4,500
	800	24,700
Total Liabilities		
Net Assets (Deficit):		
Without Donor Restrictions	22,126	(4,029)
With Donor Restriction	-	-
	22,126	(4,029)
Total Net Assets (Deficit)		
	\$ 22,926	\$ 20,671
Total Liabilities and Net Assets	22,926	20,671

The accompanying Notes to Financial Statements are an integral part of this statement.

Highlands Business Partnership, Inc.
Statement of Activities

	December 31, 2019			December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Assessment	\$ 54,750	\$ -	\$ 54,750	\$ 70,000	\$ -	\$ 70,000
Grant Income	-	16,250	16,250	-	19,250	19,250
Contributions	200	-	200	200	-	200
Visitor Guide Ads	-	-	-	3,550	-	3,550
Sponsored Events	126,716	-	126,716	107,822	-	107,822
Raffle Income	27,355	-	27,355	-	-	-
Sponsorships	13,100	-	13,100	13,750	-	13,750
Sponsorships - Barter	19,750	-	19,750	20,250	-	20,250
Net Assets Released from Restrictions	16,250	(16,250)	-	20,409	(20,409)	-
Total Support and Revenues	<u>258,121</u>	<u>-</u>	<u>258,121</u>	<u>235,981</u>	<u>(1,159)</u>	<u>234,822</u>
Expenses:						
Program Services	198,945	-	198,945	206,309	-	206,309
Management and General	33,021	-	33,021	42,785	-	42,785
Total Expenses	<u>231,966</u>	<u>-</u>	<u>231,966</u>	<u>249,094</u>	<u>-</u>	<u>249,094</u>
Change in Net Assets	26,155	-	26,155	(13,113)	(1,159)	(14,272)
Net Assets, Beginning of Year	(4,029)	-	(4,029)	9,084	1,159	10,243
Net Assets, End of Year	<u>\$ 22,126</u>	<u>\$ -</u>	<u>\$ 22,126</u>	<u>\$ (4,029)</u>	<u>\$ -</u>	<u>\$ (4,029)</u>

Highlands Business Partnership, Inc.
Statement of Activities

	Year Ended December 31, 2019				Year Ended December 31, 2018		
	Member Services	Cooperative Marketing	Total Program Service	Management and General	Program Services	Management and General	Total
Visual Improvements	\$ 5,090	-	\$ 5,090	-	\$ 8,398	-	\$ 8,398
Marketing	175	11,364	11,539	-	18,911	-	18,911
Brochures and Ads	155	6,713	6,868	-	4,258	-	4,258
Website	-	3,219	3,219	-	13,388	-	13,388
Reimbursement Grants	-	-	-	-	5,100	-	5,100
Personnel/Interns	28,317	-	28,317	4,308	23,370	7,790	31,160
Payroll	9,734	-	9,734	14,600	9,734	14,600	24,334
Payroll Tax	6,152	-	6,152	1,598	1,066	1,598	2,664
Payroll Fees	914	-	914	-	914	317	1,231
Sponsorship - Barter	19,750	-	19,750	-	20,250	-	20,250
Sponsored Events	85,174	-	85,174	-	92,567	-	92,567
Donations	8,310	-	8,310	-	6,110	-	6,110
Professional Fees	-	-	-	3,248	-	11,628	11,628
Depreciation	-	-	-	1,198	-	1,198	1,198
Insurance	-	-	-	2,956	-	1,930	1,930
Office	-	-	-	2,764	-	1,408	1,408
Utilities	-	-	-	2,349	-	2,316	2,316
Raffle Expense	7,672	-	7,672	-	-	-	-
Other Expenses	6,206	-	6,206	-	3,157	-	3,157
Total Expenses	\$ 177,649	\$ 21,296	\$ 198,945	\$ 33,021	\$ 207,223	\$ 42,785	\$ 250,008

The accompanying Notes to Financial Statements are an integral part of this statement.

Highlands Business Partnership, Inc.
Statement of Cash Flows

	2019	2018
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 26,155	\$ (14,272)
Adjustments to Reconcile Changes in Net Assets to Cash Flows From Operating Activities:		
Depreciation	1,198	1,198
Accounts Receivable	(4,063)	-
Accounts Payable and Accrued Expenses	(11,275)	6,825
Grants Received in Advance	(8,125)	8,125
Sponsorships Received in Advance	(4,500)	4,500
Net Cash Flows From Operating Activities	(610)	6,376
Cash Flows From Investing Activities:		
Purchase of Capital Assets	(1,500)	(11,633)
Net Cash Flows From Investing Activities	(1,500)	(11,633)
Change in Cash and Cash Equivalents	(2,110)	(5,257)
Cash and Cash Equivalents, Beginning of Year	4,157	9,414
Cash and Cash Equivalents, End of Year	\$ 2,047	\$ 4,157

The accompanying Notes to Financial Statements are an integral part of this statement.

HIGHLANDS BUSINESS PARTNERSHIP, INC.

Notes to Financial Statements

December 31, 2019 and December 31, 2018

NOTE 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Highlands Business Partnership have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Basis of Presentation

HBP has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) paragraphs 958-205-05-5 through 05-7, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205-05-5 through 05-7 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. Net assets of HBP and changes therein are classified and reported as follows: *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These assets may, however, be subjected to Board designation.

Net Assets With Donor Restrictions – Net assets subject to donor imposed (or certain grantor imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

B. Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Contributed Services

During the year ended December 31, 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

E. Capital Assets and Depreciation

Purchases of capital assets are capitalized at cost. Capital assets are being depreciated over the estimated useful lives of five to ten years using the straight-line method, with a quarter year's depreciation recognized in the year of acquisition and disposal.

F. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes unrestricted time deposits and highly liquid debt instruments with maturities of three months or less.

G. Functional Allocation of Expenses

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

H. Income Taxes

HBP is a non-profit as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, there is no provision for income taxes.

HBP is required to file Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service and the New Jersey Charities Registration & Investigation Form (CRI).

HBP follows the income tax standards for uncertain tax positions. This standard had no impact on the HBP' financial statements.

HBP's tax returns are subject to review and examination by federal and state authorities. HBP is not aware of any activities that would jeopardize its tax status or any activities that are subject to tax on unrelated business income taxes.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Subsequent Events

HBP has evaluated subsequent events occurring after the consolidated statements of financial position date through the date of October 26, 2020 which is the date the financial statements were available to be issued. See Note 9 for more information.

J. Recently Adopted Accounting Pronouncements

Contributions

During 2019, HBP adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional and better distinguish a donor-imposed condition from a donor-imposed restriction. HBP adopted the new guidance in 2019.

NOTE 3: CASH

The deposits held by the HBP at December 31, 2019 and reported at fair value are as follows:

<u>Type</u>	<u>2019</u>
Deposits:	
Demand deposits	\$ 2,047
	\$ 2,047
Reconciliation of Consolidated Statements of Financial Position:	
Cash and cash equivalents	\$ 2,047
Total	\$ 2,047

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, HBP’ deposits may not be recovered. As of December 31, 2019, HBP’s bank balance of \$2,299 was insured by depository insurance with the FDIC in the amount of \$2,299.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

NOTE 4: CAPITAL ASSETS

Capital assets at December 31, 2019 consisted of the following:

	<u>2019</u>	<u>2018</u>
Capital Assets Being Depreciated:		
Furniture and Fixtures	\$ 2,810	\$ 2,810
Shed	14,933	14,933
Equipment	<u>7,850</u>	<u>6,350</u>
Total Capital Assets Being Depreciated	<u>25,593</u>	<u>24,093</u>
Less: Accumulated Depreciation	<u>(8,777)</u>	<u>(7,579)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 16,816</u>	<u>\$ 16,514</u>

NOTE 5: RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and December 31, 2018, HBP paid companies owned by Board Members.

NOTE 6: BARTER EXCHANGE TRANSACTIONS

During 2018 and 2019, 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.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

In 2018 and 2019, 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. During 2019, the HBP received contributions in the amount of \$16,250 and released \$16,250 as donor-imposed restrictions were satisfied. As of December 31, 2019, and 2018, the HBP has net assets with donor restrictions of \$0 and \$0.

NOTE 8: DONATED SERVICES

HBP operates out of an office owned by a HBP Board Member located in the Borough of Highlands. HBP is not been charged rent for the use of the office space, which has been approximated at \$14,000 per year.

HIGHLANDS BUSINESS PARTNERSHIP, INC.
Notes to Financial Statements (continued)
December 31, 2019 and December 31, 2018

NOTE 9: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2019 and October 26, 2020, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements.

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged in Wuhan, China. Within weeks, the number of those infected grew significantly, and beyond China's borders. As of the date of this report, the coronavirus is reported to have spread to over 80 countries, and the list is expected to continue to grow. The coronavirus outbreak is still evolving, and its effects remain unknown. The predict how changing global economic conditions such as the COVID-19 coronavirus will affect the Highlands Business Partnership's operations.

As of January 1, 2020, HBP will no longer be operating as a State of New Jersey approved Downtown Management Corporation (DMC). HBP will continue operations, solely, as a 501C-3 non-profit organization