

BROOKLYN HEIGHTS ASSOCIATION, INC.

FINANCIAL REPORT

AUGUST 31, 2018

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Independent Auditor's Report

To the Board of Governors of
Brooklyn Heights Association, Inc.
Brooklyn, New York

We have audited the accompanying financial statements of Brooklyn Heights Association, Inc. ("BHA"), a not-for-profit organization, which comprise the statements of financial position as of August 31, 2018 and 2017, and 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.

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 audits 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 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 Brooklyn Heights Association, Inc. as of August 31, 2018 and 2017, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

December 13, 2018

New York, NY


Gruber Palumberi Raffaele Fried, PC

BROOKLYN HEIGHTS ASSOCIATION, INC.
Statements of Financial Position
As of August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 259,439	\$ 559,106
Investments	301,605	-
Prepaid expenses and other current assets	7,132	18,053
Website, net	29,080	37,389
Equipment and software, net	<u>3,210</u>	<u>2,816</u>
Total assets	<u>\$ 600,466</u>	<u>\$ 617,364</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 13,118	\$ 13,989
Designer Showhouse security deposit payable	-	55,000
Deferred revenues	<u>-</u>	<u>112,766</u>
Total liabilities	<u>13,118</u>	<u>181,755</u>
NET ASSETS		
Unrestricted	505,247	352,418
Temporarily restricted	<u>82,101</u>	<u>83,191</u>
	<u>587,348</u>	<u>435,609</u>
Total liabilities and net assets	<u>\$ 600,466</u>	<u>\$ 617,364</u>

The accompanying notes are an integral part of the financial statements.

BROOKLYN HEIGHTS ASSOCIATION, INC.
Statements of Activities
For the Years Ended August 31, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Grants and contributions	\$ 86,910	\$ 3,858	\$ 90,768	\$ 64,277	\$ 13,771	\$ 78,048
In-kind contributions - legal fees	122,571	-	122,571	1,335,859	-	1,335,859
In-kind contributions - rent	15,600	-	15,600	15,600	-	15,600
Membership dues	104,237	-	104,237	93,995	-	93,995
Program activities	96,769	-	96,769	170	-	170
Fundraising events:						
Show House	194,956	-	194,956	-	-	-
Less: costs of direct benefits to donors	(44,803)	-	(44,803)	-	-	-
PGC Perennial Party	-	24,190	24,190	-	27,375	27,375
Less: costs of direct benefits to donors	-	(4,927)	(4,927)	-	(4,500)	(4,500)
Investment income	3,527	-	3,527	285	-	285
	<u>579,767</u>	<u>23,121</u>	<u>602,888</u>	<u>1,510,186</u>	<u>36,646</u>	<u>1,546,832</u>
Net assets released from restrictions	24,211	(24,211)	-	30,645	(30,645)	-
Total support and revenue	<u>603,978</u>	<u>(1,090)</u>	<u>602,888</u>	<u>1,540,831</u>	<u>6,001</u>	<u>1,546,832</u>
EXPENSES:						
Program services	354,441	-	354,441	1,544,567	-	1,544,567
Management and general	46,199	-	46,199	37,986	-	37,986
Fundraising						
General	29,314	-	29,314	21,649	-	21,649
ShowHouse	21,195	-	21,195	5,935	-	5,935
	<u>451,149</u>	<u>-</u>	<u>451,149</u>	<u>1,610,137</u>	<u>-</u>	<u>1,610,137</u>
Change in net assets	152,829	(1,090)	151,739	(69,306)	6,001	(63,305)
Net assets - beginning of year	<u>352,418</u>	<u>83,191</u>	<u>435,609</u>	<u>421,724</u>	<u>77,190</u>	<u>498,914</u>
Net assets - end of year	<u>\$ 505,247</u>	<u>\$ 82,101</u>	<u>\$ 587,348</u>	<u>\$ 352,418</u>	<u>\$ 83,191</u>	<u>\$ 435,609</u>

The accompanying notes are an integral part of the financial statements.

BROOKLYN HEIGHTS ASSOCIATION, INC.
Statements of Functional Expenses
For the Years Ended August 31, 2018 and 2017

	2018					2017				
	Supporting Services				Total	Supporting Services				Total
	Program	Management and General	Fundraising			Program	Management and General	Fundraising		
		General	ShowHouse			General	General	ShowHouse		
Salaries	\$ 73,233	\$ 20,261	\$ 13,507	\$ -	\$ 107,001	\$ 65,920	\$ 17,661	\$ 11,774	\$ -	\$ 95,355
Payroll taxes and fringe benefits	10,768	2,979	1,986	-	15,733	9,495	2,544	1,696	-	13,735
Total salaries and related expenses	84,001	23,240	15,493	-	122,734	75,415	20,205	13,470	-	109,090
Other expenses:										
Legal fees	122,571	-	-	-	122,571	1,339,420	-	-	-	1,339,420
Other Designer Showhouse related costs	68,277	-	-	20,395	88,672	12,983	-	-	3,870	16,853
Community maintenance and improvement	24,030	-	-	-	24,030	25,225	-	-	-	25,225
Office and miscellaneous expenses	9,638	4,381	3,505	-	17,524	7,964	3,174	5,484	-	16,622
Consulting fees	15,201	-	-	800	16,001	39,229	-	-	2,065	41,294
Rent	10,677	2,954	1,969	-	15,600	10,785	2,889	1,926	-	15,600
Accounting and auditing	-	11,100	-	-	11,100	-	9,896	-	-	9,896
Postage	590	295	6,413	-	7,298	4,958	21	364	-	5,343
Public outreach	4,662	796	575	-	6,033	8,174	-	-	-	8,174
Printing	1,628	740	1,048	-	3,416	4,282	106	85	-	4,473
Telephone	2,484	311	311	-	3,106	2,561	320	320	-	3,201
Community planning and preservation	2,401	-	-	-	2,401	8,347	-	-	-	8,347
Grants and contributions	1,133	-	-	-	1,133	1,100	-	-	-	1,100
Total other expenses	263,292	20,577	13,821	21,195	318,885	1,465,028	16,406	8,179	5,935	1,495,548
Total expenses before depreciation	347,293	43,817	29,314	21,195	441,619	1,540,443	36,611	21,649	5,935	1,604,638
Depreciation and amortization	7,148	2,382	-	-	9,530	4,124	1,375	-	-	5,499
Total expenses	\$ 354,441	\$ 46,199	\$ 29,314	\$ 21,195	\$ 451,149	\$ 1,544,567	\$ 37,986	\$ 21,649	\$ 5,935	\$ 1,610,137

The accompanying notes are an integral part of the financial statements.

BROOKLYN HEIGHTS ASSOCIATION, INC.
Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 151,739	\$ (63,305)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,530	5,499
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and other current assets	10,921	(4,255)
(Decrease) in accounts payable and accrued liabilities	(871)	(19,271)
(Decrease) increase in Designer Showhouse security deposit payable	(55,000)	55,000
(Decrease) increase in deferred revenues	<u>(112,766)</u>	<u>112,525</u>
Net cash provided by operating activities	<u>3,553</u>	<u>86,193</u>
Cash Flows From Investing Activities:		
Purchase of investments	(301,605)	-
Purchase of equipment and software	(1,615)	(2,054)
Website expenditures	<u>-</u>	<u>(1,543)</u>
Net cash (used in) investing activities	<u>(303,220)</u>	<u>(3,597)</u>
Net (decrease) increase in cash and cash equivalents	(299,667)	82,596
Cash and cash equivalents - beginning of year	<u>559,106</u>	<u>476,510</u>
Cash and cash equivalents - end of year	<u>\$ 259,439</u>	<u>\$ 559,106</u>

The accompanying notes are an integral part of the financial statements.

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2018 and 2017

NOTE 1. ORGANIZATION

Brooklyn Heights Association, Inc. ("BHA") is a not-for-profit organization, founded in 1910 and later incorporated in the State of New York in 1948. BHA's primary purpose is the preservation, protection and enhancement of the quality of life in Brooklyn Heights. Such objectives are accomplished through stimulating an interest in and promoting the well being of Brooklyn Heights among its residents and businesses; maintaining the quality of life in Brooklyn Heights as a residential area; and furthering public policies and investments for its betterment.

BHA's program activities are summarized as follows:

Community maintenance and improvement: BHA funds street tree and public gardens' planting and maintenance.

Community planning and preservation: BHA plays an advisory role in historic preservation issues, and is an advocate for the neighborhood in land use, zoning and transportation issues.

Public outreach: BHA keeps residents informed, receives input on issues affecting the neighborhood, and acts as a liaison between government agencies and other civic organizations on behalf of the Brooklyn Heights neighborhood.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of BHA have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. The significant accounting policies are described below.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification 958-205 ("ASC 958-205") *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, BHA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for the general operations of BHA.

BROOKLYN HEIGHTS ASSOCIATION, INC.
Notes to Financial Statements
August 31, 2018 and 2017

Temporarily Restricted

Temporarily restricted net assets include gifts of cash and other assets received with donor stipulations that limit the use of the donated assets. When a donor restriction expires or a purpose restriction is accomplished, 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

Permanently restricted net assets include funds that have been restricted by the donor to be held in perpetuity. BHA did not have any permanently restricted net assets as of August 31, 2018 and 2017.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, management considers cash in bank and liquid investments with maturities of three months or less to be cash equivalents.

Investment Policy and Objective

BHA investments have historically comprised money funds and certificates of deposit and have been measured at fair value in the accompanying statement of financial position. Realized gains and losses (net of investment expenses) and unrealized gains and losses are reported in the statements of activities as an increases or decreases in net assets.

The goal of BHA's investment activities is to preserve capital intended for the organization's charitable mission, while generating modest cash flow to help support current operations.

Fair Value of Financial Instruments

BHA follows the guidance under Accounting Standards Codification ("ASC") 820 (formerly FAS 157, "Fair Value Measurements") that outlines the framework for measuring fair value and for making disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

BROOKLYN HEIGHTS ASSOCIATION, INC.
Notes to Financial Statements
August 31, 2018 and 2017

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the assets or liability and include situations where there is little (if any) market activity for the assets or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

Certificates of deposit are valued utilizing readily available pricing sources for comparable instruments and are classified as level 2 at August 31, 2018. At such date, the fair values of such instruments approximated their respective costs.

The BHA's investments as of August 31, 2018 consist of two CDs. One CD of \$200,992 that was purchased on June 5, 2018 bearing interest 2.076% per annum at matures on July 5, 2019, the other of \$100,613 that was purchased on May 23, 2018 bearing interest 2.23% per annum at matures on August 23, 2019. BHA held no investments subject to this classification framework as of August 31, 2017.

The following table presents the assets measured at fair value on a recurring basis as of August 31, 2018 and is categorized using the three levels of fair value hierarchy:

	Fair Value Measurements as of August 31, 2018			
	Level 1	Level 2	Level 3	Total
Certificate of Deposits	\$ -	\$ 301,605	\$ -	\$ 301,605

Investment income for the year end August 31, 2018 and 2017 consisted of the following:

	2018	2017
Dividends/Interest income	\$ 3,527	\$ 285

Equipment and software

BHA capitalizes equipment and software with a cost or fair value exceeding \$100 and a useful life of more than one year. Depreciation and amortization of equipment and software is provided on the straight-line method over the expected useful lives of the assets as follows:

BROOKLYN HEIGHTS ASSOCIATION, INC.
Notes to Financial Statements
August 31, 2018 and 2017

Equipment and software

3-5 years

Website

Website costs related to data hosting services, site configuration, and conceptual design are capitalized. Costs related to planning the project are expensed as incurred. BHA launched a new website in October 2016. Its capitalized costs are amortized over a five-year expected life using the straight-line method.

Grants and Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

Membership Dues and Fundraising Event Revenues

Amounts collected from members consist of membership dues and charitable contributions to BHA. Members receive benefits in exchange for their dues. Amounts received in excess of the fair value of any benefits received by members are reported as charitable contributions to BHA. For the years ended August 31, 2018 and 2017, management determined the value allocable to such excess to be de minimus, and, accordingly, all dues for these years were treated as contributions to BHA.

Amounts collected for certain fundraising events also consist partly of benefits in exchange for the event fee and partly of charitable contributions to BHA. The portion of event revenue exceeding the fair value of any goods or services given to the donor are charitable contributions to BHA.

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2018 and 2017

Revenue and Expense Recognition – Designer Show House

In July 2016, BHA commenced an effort to produce a Designer Showhouse that would serve as the premier fundraising event for the organization. The Designer Showhouse event was ultimately held during the period from September 27, 2017 to November 5, 2017, which is part of BHA's 2018 fiscal year. In July 2016, BHA executed a \$50,000 non-binding contract with an experienced showhouse producer to help with the production and during 2016 and 2017 fiscal years incurred costs including advertising, printing, and postage and mailing among others, in contemplation of hosting the Designer Showhouse. Such costs were expensed as incurred in the accompanying financial statements and totaled \$149,377 and \$58,147 during the years ended August 31, 2018 and 2017, respectively. Such amounts have been reflected as consulting fees and other Designer Showhouse related costs in the accompanying Statements of Functional Expenses. All revenues received in connection with the Designer Showhouse were recognized in the period the event occurred. Monies received by BHA in advance of holding the Designer Showhouse were deferred in the previous fiscal years' financial statements and totaled \$112,025 as of August 31, 2017. These deferred revenues are included in the \$297,023 of Designer Showhouse revenue recognized in the 2018 fiscal year.

In addition, as of August 31, 2017, the BHA received \$55,000 of security deposits from certain designers participating with the Designer Showhouse. These balances were returned to such participants at the conclusion of the event. As of the conclusion of the 2018 fiscal year, BHA had cumulatively earned \$80,499 in net revenue from the Designer Showhouse.

Revenue and expenses recognized for the years ended August 31, 2018, 2017 and 2016 consisted of the following:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
Revenue recognized	\$ -	\$ -	\$ 297,023	\$ 297,023
Expenses recognized	<u>(9,000)</u>	<u>(58,147)</u>	<u>(149,377)</u>	<u>\$(216,524)</u>
Excess of Revenue over Expenses	<u>\$ (9,000)</u>	<u>\$ (58,147)</u>	<u>\$ 147,646</u>	<u>\$ 80,499</u>

Functional Expense Allocations

The costs of providing the various programs and other activities of BHA have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting service benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable bases.

BROOKLYN HEIGHTS ASSOCIATION, INC.
Notes to Financial Statements
August 31, 2018 and 2017

Concentration of Credit Risk

Financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents. BHA maintained cash balances at one financial institution in excess of the Federal Deposit Insurance Corporation limit of \$250,000 by approximately \$112,035 at August 31, 2017. Funds were moved from that institution to two new financial institutions during the year ended August 31, 2018 and the over-limit account was closed and the concentration of credit risk was eliminated.

Use of Estimates

Management of the organization has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates at the time such amounts are actually settled.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to current year presentation.

New Authoritative Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40). This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled to in exchange for goods and services. The ASU is effective for fiscal years beginning after December 15, 2017. BHA is presently evaluating the impact on the organization's financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The ASU amends the financial reporting requirements in Topic 958, Not-for-Profit Entities. Changes include revisions to the classification of net assets and expanded liquidity disclosures. The ASU is effective for fiscal years beginning after December 15, 2017 with early adoption permissible. BHA is evaluating the impact of the new standard on the organization's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new ASU establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. The ASU is

BROOKLYN HEIGHTS ASSOCIATION, INC.
Notes to Financial Statements
August 31, 2018 and 2017

effective for fiscal years beginning after December 15, 2018 with early adoption permissible. BHA is evaluating the impact of the new standard on the organization's financial statements.

NOTE 3. INCOME TAXES

BHA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, BHA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

BHA has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification 740 ("ASC 740") *Accounting for Uncertainty in Income Taxes*. ASC 740 requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of ASC 740 did not have an impact on BHA's statements of financial position or statements of activities. BHA does not believe its financial statements include any uncertain tax positions.

BHA's Form 990, Return of Organization Exempt from Income Tax, for the years ended August 31, 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 4. EQUIPMENT AND SOFTWARE, NET

A summary of equipment and software cost and depreciation and amortization is as follows at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equipment and software	\$ 13,953	\$ 12,489
Less: accumulated depreciation and amortization	<u>(10,743)</u>	<u>(9,673)</u>
	<u>\$ 3,210</u>	<u>\$ 2,816</u>

Depreciation and amortization for the years ended August 31, 2018 and 2017 amounted to \$1,221 and \$1,344, respectively.

BROOKLYN HEIGHTS ASSOCIATION, INC.
Notes to Financial Statements
August 31, 2018 and 2017

NOTE 5. WEBSITE, NET

A summary of website costs and amortization is as follows at August 31, 2018 and 2017:

Website	\$ 41,543	\$ 46,356
Less: accumulated amortization	<u>(12,463)</u>	<u>(8,967)</u>
	<u>\$ 29,080</u>	<u>\$ 37,389</u>

Amortization for the years ended August 31, 2018 and 2017 amounted to \$8,309 and \$4,154, respectively.

NOTE 6. CONTRIBUTED SERVICES

During fiscal 2016, a legal action was undertaken by BHA as a sole plaintiff opposing the proposed development at Pier 6 of Brooklyn Bridge Park. BHA was assisted in this action by an outside law firm, which provided significant pro bono legal services to the organization. The value of pro-bono legal fees amounted to \$122,571 in fiscal year ended August 31, 2018 and \$1,335,859 in fiscal year ended August 31, 2017.

The New York State Supreme Court rendered a judgment denying the BHA's claim during fiscal year ended August 31, 2018.

A number of volunteers have donated significant amounts of time and other services to BHA's activities. However, where there is no objective basis for measuring and recording the value of these services, they are not reflected in the accompanying financial statements.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available to satisfy the following restrictions at August 31, 2018:

	August 31, 2017	Contributions	Net assets released from restrictions	August 31, 2018
Tree Fund and Landscaping/Beautification Funds	\$ 21,196	\$ 990	\$ -	\$ 22,186
Promenade Gardens Public-Private Partnership	60,897	24,790	(26,203)	59,484
Piers Legal Fund	-	660	(660)	-
Brooklyn Height Playgrounc Committee	1,098	1,608	(2,275)	431
	<u>\$ 83,191</u>	<u>\$ 28,048</u>	<u>\$ (29,138)</u>	<u>\$ 82,101</u>

BROOKLYN HEIGHTS ASSOCIATION, INC.
Notes to Financial Statements
August 31, 2018 and 2017

Temporarily restricted net assets are available to satisfy the following restrictions at August 31, 2017:

	August 31, 2016	Contributions	Net assets released from restrictions	August 31, 2017
Tree Fund and Landscaping/Beautification Funds	\$ 20,420	\$ 790	\$ (14)	\$ 21,196
Promenade Gardens Public-Private Partnership	55,860	30,640	(25,603)	60,897
Piers Legal Fund	-	3,215	(3,215)	-
Brooklyn Height Playground Committee	910	2,382	(2,194)	1,098
Joralemon St. Security Camera Project	-	2,500	(2,500)	-
Donation for Enhanced Membership Solicitation Efforts	-	1,619	(1,619)	-
	<u>\$ 77,190</u>	<u>\$ 41,146</u>	<u>\$ (35,145)</u>	<u>\$ 83,191</u>

NOTE 8. OPERATING LEASE

In November 2016, BHA leased office equipment requiring monthly payments of \$135 plus applicable taxes and fees through November 2021. The equipment is shared with another non-profit organization, and it reimburses BHA 50% of the expenses. Leased equipment expense for the years ended August 31, 2018 and 2017 amounted to approximately \$1,650 and \$672, respectively.

Future Minimum operating lease payments before consideration of the 50% reimbursements to be received by the other non-profit organization, are as follows:

August 31, 2019	\$ 1,620
2020	1,620
2021	1,620
2022	<u>405</u>
Total:	<u>\$ 5,265</u>

NOTE 9. DONATED RENT

BHA maintains office facilities located in Brooklyn Heights that are provided to the organization rent-free by the landlord, another not-for-profit organization, pursuant to an informal, unwritten agreement on an annual basis. BHA has recognized the fair market value of the office space in the amount of \$15,600 as both an expense and in-kind contribution in its Statements of Activities for both of the years ended August 31, 2018 and 2017.

BROOKLYN HEIGHTS ASSOCIATION, INC.
Notes to Financial Statements
August 31, 2018 and 2017

NOTE 10. SUBSEQUENT EVENTS

BHA evaluated its August 31, 2018 financial statements for subsequent events through December 13, 2018, the date the financial statements were available to be issued. The Organization executed a new contract in September 2018 to plan for a new Brooklyn Heights Designer Showhouse to open in the fall of 2019 (BHA fiscal year 2020).