

BROOKLYN HEIGHTS ASSOCIATION, INC.

FINANCIAL REPORT

AUGUST 31, 2019

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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, 2019 and 2018, and related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, except for the disclosures in Note 11 which are unaudited.

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, 2019 and 2018, 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.

Emphasis Matter

During the year ended August 31, 2019, Brooklyn Heights Association, Inc. adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 Presentation of Financial Statements of Not-for-Profit Entities as discussed in Note 2. Our opinion is not modified with respect to this matter.

January 8, 2020

New York, NY

Gruber Palumberi Raffaele Fried, P.C.
Gruber Palumberi Raffaele Fried, PC

BROOKLYN HEIGHTS ASSOCIATION, INC.**Statements of Financial Position****As of August 31, 2019 and 2018**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 420,860	\$ 259,439
Investments	204,622	301,605
Prepaid expenses and other current assets	8,160	7,132
Website, net	23,021	29,080
Equipment and software, net	9,401	3,210
Total assets	<u>\$ 666,064</u>	<u>\$ 600,466</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 17,257	\$ 13,118
Designer Showhouse security deposit payable	30,000	-
Deferred revenues	76,925	-
Total liabilities	<u>124,182</u>	<u>13,118</u>
NET ASSETS		
Without donor restrictions	455,734	505,247
With donor restrictions	86,148	82,101
Total net assets	<u>541,882</u>	<u>587,348</u>
Total liabilities and net assets	<u>\$ 666,064</u>	<u>\$ 600,466</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Grants and contributions	\$ 144,829	\$ -	\$ 144,829	\$ 86,910	\$ 3,858	\$ 90,768
In-kind contributions - legal fees	458,282	-	458,282	122,571	-	122,571
In-kind contributions - rent	15,600	-	15,600	15,600	-	15,600
Membership dues	120,050	-	120,050	104,237	-	104,237
Program revenue	57	122,255	122,312	96,769	-	96,769
Fundraising events:						
Show House	-	-	-	194,956	-	194,956
Less: costs of direct benefits to donors	-	-	-	(44,803)	-	(44,803)
PGC Perennial Party	-	25,475	25,475	-	24,190	24,190
Less: costs of direct benefits to donors	-	(3,776)	(3,776)	-	(4,927)	(4,927)
Investment income	9,949	-	9,949	3,527	-	3,527
	748,767	143,954	892,721	579,767	23,121	602,888
Net assets released from restrictions	139,907	(139,907)	-	24,211	(24,211)	-
Total support and revenue	888,674	4,047	892,721	603,978	(1,090)	602,888
EXPENSES:						
Program services						
Community maintenance and improvement	73,146	-	73,146	55,835	-	55,835
Community planning and preservation	729,109	-	729,109	256,450	-	256,450
Public outreach	43,389	-	43,389	42,156	-	42,156
Management and general	54,905	-	54,905	46,199	-	46,199
Fundraising						
General	37,639	-	37,639	29,314	-	29,314
ShowHouse	-	-	-	21,195	-	21,195
	938,187	-	938,187	451,149	-	451,149
Change in net assets	(49,513)	4,047	(45,466)	152,829	(1,090)	151,739
Net assets - beginning of year	505,247	82,101	587,348	352,418	83,191	435,609
Net assets - end of year	\$ 455,734	\$ 86,148	\$ 541,882	\$ 505,247	\$ 82,101	\$ 587,348

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

BROOKLYN HEIGHTS ASSOCIATION, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2019

	Programs				Supporting Services			2019 Total
	Community maintenance and improvement	Community planning and preservation	Public outreach	Total	Management and		Fundraising	
					General	General		
Salaries	\$ 17,719	\$ 33,919	\$ 23,589	\$ 75,227	\$ 22,176	\$ 14,784	\$ -	\$ 112,187
Payroll taxes and fringe benefits	2,858	4,726	3,407	10,991	3,041	2,027	-	16,059
Total salaries and related expenses	20,577	38,645	26,996	86,218	25,217	16,811	-	128,246
Other expenses:								
Legal fees	-	476,674	-	476,674	-	-	-	476,674
Consulting fees	-	130,892	-	130,892	-	-	-	130,892
Other Designer Showhouse related costs	-	42,084	-	42,084	-	-	-	42,084
Community maintenance and improvement	22,822	-	-	22,822	-	-	-	22,822
Events	1,697	-	-	1,697	-	-	-	1,697
Grants and contributions	1,375	-	2,407	3,782	-	-	-	3,782
Website	180	-	1,607	1,787	536	536	-	2,859
Rent	5,232	2,776	2,669	10,677	2,954	1,969	-	15,600
Accounting and auditing	-	-	-	-	11,000	-	-	11,000
Postage	209	446	142	797	222	4,973	-	5,992
Meeting expenses	-	3,006	1,032	4,038	114	-	-	4,152
Printing	342	2,245	352	2,939	302	328	-	3,569
Telephone	1,285	514	537	2,336	292	292	-	2,920
Dues and Subscriptions	-	-	757	757	-	-	-	757
Office and miscellaneous expenses	15,247	5,398	5,342	25,987	11,687	12,730	-	50,404
Lobbying expenses	-	24,415	-	24,415	-	-	-	24,415
Total other expenses	48,389	688,450	14,845	751,684	27,107	20,828	-	799,619
Total expenses before depreciation	68,966	727,096	41,841	837,902	52,324	37,639	-	927,865
Depreciation and amortization	4,180	2,013	1,548	7,741	2,581	-	-	10,322
Total expenses	\$ 73,146	\$ 729,109	\$ 43,389	\$ 845,643	\$ 54,905	\$ 37,639	\$ -	\$ 938,187

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

BROOKLYN HEIGHTS ASSOCIATION, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2018

	Programs			Supporting Services			2018 Total
	Community maintenance and improvement	Community planning and preservation	Public outreach	Management and General	Fundraising		
					General	ShowHouse	
Salaries	\$ 22,623	\$ 27,206	\$ 23,404	\$ 20,261	\$ 13,507	\$ -	\$ 107,001
Payroll taxes and fringe benefits	3,015	4,200	3,553	2,979	1,986	-	15,733
Total salaries and related expenses	25,638	31,406	26,957	23,240	15,493	-	122,734
Other expenses:							
Legal fees	-	122,571	-	-	-	-	122,571
Consulting fees	-	15,201	-	-	-	800	16,001
Other Designer Showhouse related costs	-	68,277	-	-	-	20,395	88,672
Community maintenance and improvement	21,008	-	-	-	-	-	21,008
Events	1,309	-	-	-	-	-	1,309
Grants and contributions	1,375	-	1,133	-	-	-	2,508
Website	144	-	1,726	575	575	-	3,020
Rent	1,281	5,979	3,417	2,954	1,969	-	15,600
Accounting and auditing	-	-	-	11,100	-	-	11,100
Postage	71	236	283	295	6,413	-	7,298
Meeting expenses	-	-	1,987	221	-	-	2,208
Printing	358	1,096	619	740	1,048	-	3,861
Telephone	596	1,167	720	311	311	-	3,106
Dues and Subscriptions	-	-	948	-	-	-	948
Office and miscellaneous expenses	2,410	4,915	2,506	4,381	3,505	-	17,717
Lobbying expenses	-	1,956	-	-	-	-	1,956
Total other expenses	28,553	221,399	13,340	20,577	13,821	21,195	318,885
Total expenses before depreciation	54,191	252,805	40,297	43,817	29,314	21,195	441,619
Depreciation and amortization	1,644	3,645	1,858	2,382	-	-	9,530
Total expenses	\$ 55,835	\$ 256,450	\$ 42,156	\$ 46,199	\$ 29,314	\$ 21,195	\$ 451,149

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, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ (45,466)	\$ 151,739
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,322	9,530
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expenses and other current assets	(1,028)	10,921
Increase (decrease) in accounts payable and accrued liabilities	4,139	(871)
Increase (decrease) in Designer Showhouse security deposit payable	30,000	(55,000)
increase (decrease) in deferred revenues	76,925	(112,766)
Net cash provided by operating activities	<u>74,892</u>	<u>3,553</u>
Cash Flows From Investing Activities:		
Purchase of investments	(204,622)	(301,605)
Proceeds from investments	301,605	-
Purchase of equipment and software	(7,954)	(1,615)
Website expenditures	(2,500)	-
Net cash provided by (used in) investing activities	<u>86,529</u>	<u>(303,220)</u>
Net increase (decrease) in cash and cash equivalents	161,421	(299,667)
Cash and cash equivalents - beginning of year	259,439	559,106
Cash and cash equivalents - end of year	<u>\$ 420,860</u>	<u>\$ 259,439</u>

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

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2019 and 2018

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.

In this category during fiscal year 2019, BHA devoted considerable efforts to the myriad concerns raised with respect to the proposed plan to repair or replace sections of the Brooklyn Queens Expressway adjacent to Brooklyn Heights. BHA incurred costs relating to such efforts (including contributed pro bono legal services as discussed in Note 5) aggregating approximately \$635,000 during the year. These efforts will continue in future periods.

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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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.

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires. This means that until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

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.

Investments

BHA's investments at August 31, 2019 and 2018 consisted of Certificates of Deposit with original maturities greater than three months and are stated at face value plus accrued interest. Interest income from the certificates of deposit is included as increase in net assets without donor restrictions in the accompanying statement of activities. The Certificate of deposit at August 31, 2019 bears interest at 0.245% per annum and matures on July 5, 2020.

The objective 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

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (continued)

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:

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, 2019 and 2018. At such date, the fair values of such instruments approximated their respective costs.

The tables below present the assets that are measured at fair value on a recurring basis as of August 31, 2019 and 2018, which are categorized using the three levels of fair value hierarchy:

	Fair Value Measurements as of August 31, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 204,622	\$ -	\$ 204,622

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

BROOKLYN HEIGHTS ASSOCIATION, INC.
Notes to Financial Statements
August 31, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (continued)

Investment income for the years end August 31, 2019 and 2018 consisted of the following:

	2019	2018
Interest Income	<u>\$ 9,949</u>	<u>\$ 3,527</u>

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:

Equipment and software	3-5 years
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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

BHA records contributions and grants, both cash and in-kind, when an unconditional promise to give such assets is received from a donor. Contributions and grants are recorded at the fair market value of assets received and are classified as either net assets without donor restriction, or net assets with donor restriction, depending on whether the donor has imposed a restriction on the use of such assets.

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions.

When restrictions expire (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 statement of activities as net assets released from restrictions.

Contributions and grants receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate determined in the year in which the contribution originates. Amortization of the discount is included in contribution revenue. BHA received no multiyear promises to give during the years ended August 31, 2019 and 2018.

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind services

In-kind services are recognized 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 no tangible 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, 2019 and 2018, management determined the accounting value allocable to such benefits 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.

Revenue and Expense Recognition – Designer Showhouse

In July 2016, BHA commenced an effort to produce its first Designer Showhouse that would serve as the premier fundraising event for the Organization. The Designer Showhouse event was ultimately held in fiscal year 2018 during the period from September 27, 2017 to November 5, 2017. In fiscal year 2018 the costs incurred to host the Designer Showhouse included advertising, printing, postage and mailing and other costs. Those incurred costs totaled \$149,377 and are categorized as Consulting fees and Other Designer Showhouse related costs in the accompanying Statements of Functional Expenses for the year ended August 31, 2018. In addition, certain costs were incurred in the 2017 and 2016 fiscal years in connection with organizing the event. Such costs were expensed as incurred. All monies received from fiscal years 2016 through 2018 were recognized as revenue in fiscal year 2018 when the event took place. As of the conclusion of the 2018 fiscal year, the cumulative Excess of Revenue over Expenses was \$80,499 for the first Designer Showhouse.

In August 2018, BHA executed a new contract with a showhouse producer to hold a second Designer Showhouse during the period from September to November 2019. In fiscal year 2019 the costs incurred to host the Designer Showhouse included advertising, printing, postage and mailing and other costs. Those incurred costs totaled \$42,084 and are categorized as Other Designer Showhouse related costs in the accompanying Statements of Functional Expenses for the year ended August 31, 2019. All monies received, totaling \$76,925, were recorded as Deferred revenues in the financial statements for the year ended August 31, 2019. These

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Expense Recognition – Designer Showhouse (continued)

Deferred revenues will be recognized as revenue in the fiscal year 2020 when the event will take place. In addition, as of August 31, 2019, BHA received \$30,000 in security deposits from certain designers participating in the event. These security deposits will be returned at the conclusion of the event.

Revenue and expenses recognized for the first and second Designer Showhouse events are as follows:

	First Designer Showhouse				Second Designer Showhouse
	2016	2017	2018	Total	2019
Revenue recognized	\$ -	\$ -	\$ 297,023	\$ 297,023	\$ -
Expenses recognized	(9,000)	(58,147)	(149,377)	(216,524)	(42,084)
Excess (Deficit) of					
Revenue over Expenses	<u>\$ (9,000)</u>	<u>\$ (58,147)</u>	<u>\$ 147,646</u>	<u>\$ 80,499</u>	<u>\$ (42,084)</u>

Functional Expense Allocations

The costs of program supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

Income Taxes

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

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

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, 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risk

Financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents and investments. BHA maintains cash, cash equivalent and investment balances in various bank accounts that, at times, may exceed federally insured limits. As of August 31, 2019 and 2018, BHA's cash, cash equivalents and investment balances did not exceed federal insured limits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, 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 those estimates.

Reclassifications

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

Implementation of FASB ASU 2016-14

During the year ended August 31, 2019, BHA implemented Financials Accounting Standards Board Accounting Standards Update ("FASB ASU") 2016-14. FASB ASU 2016-14 provides new and expanded guidance for financial reporting for not-for-profit entities. The implementation of FASB ASU 2016-14 has resulted in some changes to BHAs' financial reporting. BHA has added additional disclosures related to its financial liquidity and the availability of financial assets for general expenditure within one year from each statement of financial statement date. BHA has expanded the disclosure of methods used for allocation of expenses among program and supporting services. In addition, the disclosure language surrounding restricted and unrestricted activities has been modified. The adoption has been retroactively applied to the financial statements for the year ended August 31, 2018.

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2019 and 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. BHA is presently evaluating the impact 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 effective for fiscal years beginning after December 15, 2019 with early adoption permissible. BHA is evaluating the impact of the new standard on the organization's financial statements.

For both new authoritative pronouncements, the required effective date for the adoption for BHA is August 31, 2020.

NOTE 3. EQUIPMENT AND SOFTWARE, NET

A summary of equipment and software cost and depreciation and amortization is as follows at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Equipment and software	\$ 13,915	\$ 13,953
Less: accumulated depreciation and amortization	<u>(4,514)</u>	<u>(10,743)</u>
	<u>\$ 9,401</u>	<u>\$ 3,210</u>

Depreciation and amortization for the years ended August 31, 2019 and 2018 amounted to \$1,763 and \$1,221, respectively.

NOTE 4. WEBSITE, NET

A summary of website costs and amortization is as follows at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Website	\$ 44,043	\$ 41,543
Less: accumulated amortization	<u>(21,022)</u>	<u>(12,463)</u>
	<u>\$ 23,021</u>	<u>\$ 29,080</u>

Amortization for the years ended August 31, 2019 and 2018 amounted to \$8,559 and \$8,309, respectively.

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2019 and 2018

NOTE 5. 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 fair value of such pro-bono legal fees amounted to \$122,571 in fiscal year ended August 31, 2018. The New York State Supreme Court rendered a judgment denying the BHA's claim during fiscal year ended August 31, 2018.

During fiscal year 2019, BHA participated in a major effort to stop a proposed plan by the NYC Department of Transportation to reroute traffic from the Brooklyn Queens Expressway ("BQE") onto a street level highway in place of the Brooklyn Heights Promenade during a many year reconstruction of the BQE. An outside law firm provided significant pro bono legal fees and other related costs amounting to \$458,282.

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

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

BHA's assets released from donor purpose restrictions for the years ended August 31, 2019 are reflected below:

	August 31, 2018	Contributions	Net assets released from restrictions	August 31, 2019
Tree Fund and Landscaping/Beautification Funds	\$ 22,186	\$ 575	\$ (1,290)	\$ 21,471
Promenade Gardens Public-Private Partnership	59,484	30,778	(26,245)	64,017
Brooklyn Height Playground Committee	431	1,926	(1,697)	660
BQE Fund	-	114,451	(114,451)	-
	<u>\$ 82,101</u>	<u>\$ 147,730</u>	<u>\$ (143,683)</u>	<u>\$ 86,148</u>

BHA's assets released from donor purpose restrictions for the years ended August 31, 2018 are reflected below:

	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 Playground 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, 2019 and 2018

NOTE 7. 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 amounted to \$825 for both of the years ended August 31, 2019 and 2018.

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

August 31, 2020	\$	1,620
2021		1,620
2022		<u>405</u>
Total:	\$	<u>3,645</u>

NOTE 8. IN-KIND 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 value rental 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, 2019 and 2018.

NOTE 9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The below reflects BHA's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2019	2018
Financial assets, at year-end		
Cash and cash equivalents	\$ 420,860	\$ 259,439
Investments	<u>204,622</u>	<u>301,605</u>
	<u>625,482</u>	<u>561,044</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	<u>(86,148)</u>	<u>(82,101)</u>
	<u>(86,148)</u>	<u>(82,101)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 539,334</u>	<u>\$ 478,943</u>

BROOKLYN HEIGHTS ASSOCIATION, INC.

Notes to Financial Statements

August 31, 2019 and 2018

NOTE 9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS(CONTINUED)

Because a donor's restriction requires resources to be used in a particular manner or in a future period, BHA must maintain sufficient resources to meet these responsibilities to such donors. As part of BHA's liquidity management, the organization has structured its financial assets to be available as its general expenditures, liabilities and other obligations (including those relating to donor restricted activities) come due. As outlined in Note 2, all of BHA's investments as of August 31, 2019 are held in short-term certificates of deposit.

NOTE 10. SUBSEQUENT EVENTS

BHA evaluated its August 31, 2019 financial statements for subsequent events through January 8, 2020, the date the financial statements were available to be issued. Other than the Designer Showhouse described in Note 2, the Organization is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.

NOTE 11. SECOND DESIGNER SHOWHOUSE (UNAUDITED)

As described in Note 2, the BHA held its second Designer Showhouse event early in the 2020 fiscal year. Aggregate revenue from the event, which included ticket sales, event sponsor fees, advertising sales and benefit contributions totaled approximately \$268,065. Aggregate cumulative expenses associated with the event, which included consulting fees and other professional services, advertising, printing and mailing, catering among others totaled approximately \$154,660. As explained in Note 2, certain of these expenses were recognized in the 2019 fiscal year as the event was being organized and such costs were incurred. All revenue from the event will be recognized in fiscal year 2020, the accounting period in which the event was held. Overall, the cumulative net contribution to the BHA from the Designer Showhouse event (all of which is unrestricted) totals approximately \$113,405. All amounts in this disclosure are unaudited.