

**BROOKLYN HEIGHTS ASSOCIATION, INC.**

**FINANCIAL REPORT**

**AUGUST 31, 2021 and 2020**

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**GRUBER PALUMBERI RAFFAELE FRIED, P.C.**

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

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, 2021 and 2020, 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, 2021 and 2020, 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.

March 28, 2022

New York, NY

*Gruber Palumberi Raffaele Fried PC*

Gruber Palumberi Raffaele Fried, PC

**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
**Statements of Financial Position**  
**As of August 31, 2021 and 2020**

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 705,951	\$ 643,201
Prepaid expenses and other assets	4,100	12,311
Website, net	5,404	14,213
Equipment and software, net	<u>6,369</u>	<u>6,991</u>
Total assets	<u>\$ 721,824</u>	<u>\$ 676,716</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 42,053	\$ 22,155
Deferred revenues	<u>26,090</u>	<u>-</u>
Total liabilities	<u>68,143</u>	<u>22,155</u>
<b>NET ASSETS</b>		
Without donor restrictions	572,161	570,921
With donor restrictions	<u>81,520</u>	<u>83,640</u>
Total net assets	<u>653,681</u>	<u>654,561</u>
Total liabilities and net assets	<u>\$ 721,824</u>	<u>\$ 676,716</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, 2021 and 2020**

	<u>2021</u>			<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT:</b>						
Grants and contributions	\$ 114,479	\$ -	\$ 114,479	\$ 110,365	\$ 53,713	\$ 164,078
In-kind contributions - legal fees	-	-	-	91,553	-	91,553
In-kind contributions - rent	15,600	-	15,600	15,600	-	15,600
Membership dues	132,301	-	132,301	121,010	-	121,010
Program revenue	245	4,175	4,420	141	19,891	20,032
Fundraising events:						
ShowHouse	-	-	-	257,865	-	257,865
Less: costs of direct benefits to donors	-	-	-	(113,657)	-	(113,657)
PGC Perennial Party	-	16,268	16,268	-	20,275	20,275
Less: costs of direct benefits to donors	-	(287)	(287)	-	(3,158)	(3,158)
Height in Light	14,660	-	14,660	-	-	-
Less: costs of direct benefits to donors	(3,492)	-	(3,492)	-	-	-
Investment income	1,247	-	1,247	2,783	-	2,783
	<u>275,040</u>	<u>20,156</u>	<u>295,196</u>	<u>485,660</u>	<u>90,721</u>	<u>576,381</u>
Net assets released from restrictions						
Satisfaction of program restrictions	<u>22,276</u>	<u>(22,276)</u>	<u>-</u>	<u>93,229</u>	<u>(93,229)</u>	<u>-</u>
 Total revenue and support	 <u>297,316</u>	 <u>(2,120)</u>	 <u>295,196</u>	 <u>578,889</u>	 <u>(2,508)</u>	 <u>576,381</u>
<b>EXPENSES:</b>						
Program services						
Community maintenance and improvement	70,411	-	70,411	64,174	-	64,174
Community planning and preservation	54,995	-	54,995	193,366	-	193,366
Public outreach	54,813	-	54,813	108,423	-	108,423
Management and general	81,158	-	81,158	63,740	-	63,740
Fundraising	34,699	-	34,699	33,999	-	33,999
	<u>296,076</u>	<u>-</u>	<u>296,076</u>	<u>463,702</u>	<u>-</u>	<u>463,702</u>
Change in net assets	1,240	(2,120)	(880)	115,187	(2,508)	112,679
Net assets - beginning of year	<u>570,921</u>	<u>83,640</u>	<u>654,561</u>	<u>455,734</u>	<u>86,148</u>	<u>541,882</u>
Net assets - end of year	<u>\$ 572,161</u>	<u>\$ 81,520</u>	<u>\$ 653,681</u>	<u>\$ 570,921</u>	<u>\$ 83,640</u>	<u>\$ 654,561</u>

*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, 2021**

	Programs Services				Supporting Services		2021 Total
	Community maintenance and improvement	Community planning and preservation	Public outreach	Total	Management and General	Fundraising	
Salaries	\$ 29,151	\$ 35,057	\$ 30,158	\$ 94,366	\$ 26,108	\$ 17,405	\$ 137,879
Payroll taxes and fringe benefits	6,113	7,277	6,404	19,794	5,531	3,784	29,109
Total salaries and related expenses	35,264	42,334	36,562	114,160	31,639	21,189	166,988
Other expenses:							
Accounting and auditing	-	-	-	-	35,635	-	35,635
Office and miscellaneous expenses	5,915	3,742	2,414	12,071	5,837	4,389	22,297
Community maintenance and improvement	21,896	-	-	21,896	-	-	21,896
Rent	1,201	5,234	2,145	8,580	3,900	3,120	15,600
Postage	230	182	194	606	303	5,149	6,058
Website	-	-	4,121	4,121	-	-	4,121
Meeting expenses	-	-	3,709	3,709	-	-	3,709
Printing	590	159	845	1,594	725	580	2,899
Telephone	980	697	500	2,177	272	272	2,721
Grants and contributions	-	-	2,615	2,615	-	-	2,615
Events	150	-	-	150	-	-	150
Total other expenses	30,962	10,014	16,543	57,519	46,672	13,510	117,701
Total expenses before depreciation	66,226	52,348	53,105	171,679	78,311	34,699	284,689
Depreciation and amorization	4,185	2,647	1,708	8,540	2,847	-	11,387
Total expenses	\$ 70,411	\$ 54,995	\$ 54,813	\$ 180,219	\$ 81,158	\$ 34,699	\$ 296,076

*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, 2020**

	Programs Services				Supporting Services		2020 Total
	Community maintenance and improvement	Community planning and preservation	Public outreach	Total	Management and General	Fundraising	
Salaries	\$ 29,431	\$ 35,393	\$ 30,448	\$ 95,272	\$ 26,358	\$ 17,572	\$ 139,202
Payroll taxes and fringe benefits	5,967	7,104	6,251	19,322	5,399	3,693	28,414
Total salaries and related expenses	35,398	42,497	36,699	114,594	31,757	21,265	167,616
Other expenses:							
Legal fees	-	92,578	-	92,578	-	-	92,578
Grants and contributions	-	-	54,416	54,416	-	-	54,416
Consulting fees	-	40,106	-	40,106	-	-	40,106
Community maintenance and improvement	21,654	-	-	21,654	-	-	21,654
Office and miscellaneous expenses	2,858	6,668	2,381	11,907	5,412	4,328	21,647
Accounting and auditing	-	-	-	-	18,418	-	18,418
Rent	1,201	5,234	2,145	8,580	3,900	3,120	15,600
Website	-	-	6,256	6,256	-	-	6,256
Postage	86	258	162	506	253	4,293	5,052
Printing	605	448	1,188	2,241	1,019	817	4,076
Meeting expenses	-	130	3,168	3,298	-	-	3,298
Telephone	353	735	325	1,413	177	176	1,767
Total other expenses	26,757	146,157	70,041	242,955	29,179	12,734	284,868
Total expenses before depreciation	62,155	188,654	106,740	357,549	60,936	33,999	452,484
Depreciation and amortization	2,019	4,712	1,683	8,414	2,804	-	11,218
Total expenses	\$ 64,174	\$ 193,366	\$ 108,423	\$ 365,963	\$ 63,740	\$ 33,999	\$ 463,702

*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, 2021 and 2020**

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	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (880)	\$ 112,679
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,387	11,218
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and other assets	8,211	(4,151)
Increase in accounts payable and accrued liabilities	19,898	4,898
Decrease in Designer Showhouse security deposit payable	-	(30,000)
Increase (decrease) in deferred revenues	<u>26,090</u>	<u>(76,925)</u>
Net cash provided by operating activities	<u>64,706</u>	<u>17,719</u>
Cash flows from investing activities:		
Increase of investments	-	(240)
Proceeds from investments	-	204,862
Purchase of equipment and software	<u>(1,956)</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(1,956)</u>	<u>204,622</u>
Cash Flows From financing activities:		
Proceeds from PPP loan	31,195	-
SBA PPP loan forgiveness	<u>(31,195)</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	62,750	222,341
Cash and cash equivalents - beginning of year	<u>643,201</u>	<u>420,860</u>
Cash and cash equivalents - end of year	<u>\$ 705,951</u>	<u>\$ 643,201</u>

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

**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

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**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 2020, 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 \$109,000 during fiscal year 2020. 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.

For Federal income tax purposes, BHA is classified as a 501(c)(3) organization and is exempt under section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

**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, 2021 and 2020**

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**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**

BHA considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near to maturity that they present insignificant risk of changes in value because of changes in interest rates.

**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:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments (continued)**

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.

BHA held no investments subject to this classification framework as of August 31, 2021 and 2020.

**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.

**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants and Contributions (continued)**

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, 2021 and 2020.

**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, 2021 and 2020, 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**

BHA held its second Designer Showhouse event in fiscal year 2020 during the period from September 27, 2019 to November 3, 2019. This event is run biennially. The costs incurred to host the second Designer showhouse included consulting fees and other professional services, advertising, printing and mailing, catering among others. Such costs were expensed as incurred in the accompanying financial statements and totaled \$113,657 and \$42,084 during the years ended August 31, 2020 and 2019, respectively. All revenues received in connection with the second Designer Showhouse, which included ticket sales, event sponsor fees, advertising sales and benefit contributions were recognized in the period the event occurred. Monies received by BHA in advance of holding the second Designer Showhouse were deferred in the 2019 fiscal

**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Expense Recognition – Designer Showhouse (continued)**

year's financial statements and totaled \$76,925 as of August 31, 2019. These Deferred revenues are included in the \$257,865 of Designer Showhouse revenue recognized in the 2020 fiscal year.

In addition, as of August 31, 2019, BHA received \$30,000 in security deposits from certain designers participating in the event. These security deposits were returned to such participants at the conclusion of the event. As of the conclusion of the 2020 fiscal year, BHA had cumulatively earned \$102,124 in net revenue from the second Designer Showhouse.

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

	<u>2020</u>	<u>2019</u>	<u>Total</u>
Revenue recognized	\$ 257,865	\$ -	\$ 257,865
Expenses recognized	<u>(113,657)</u>	<u>(42,084)</u>	<u>(155,741)</u>
Excess (Deficit) of Revenue over Expenses	<u>\$ 144,208</u>	<u>\$ (42,084)</u>	<u>\$ 102,124</u>

BHA, as part of its agreement with the owner of the fiscal year 2020 Designer Showhouse Event, agreed to use the revenue from that event, totaling \$257,865, for Showhouse expenses and BHA's community's programs. No portion of the revenue was to be used for supporting any lobbying or litigation expenses, or any comparable activity.

Revenue and expenses related to this agreement are listed below:

Total Revenue	<u>\$ 257,865</u>
Expenses	
Direct expenses	\$ 155,741
Programs	
Community Maintenance and improvements	64,174
Public Outreach	<u>108,423</u>
Total Allowable Expenses	<u>\$ 328,338</u>

The Designer Showhouse event was not held in the year 2021 due to the COVID-19 pandemic.

**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Expense Recognition – Brooklyn Heights Together**

In May 2020 the BHA launched Brooklyn Heights Together, a fundraising campaign to provide direct cash grants to out of work and under-employed workers in Brooklyn Heights. The BHA partnered with the Arab American Family Support Center which distributed the cash grants totaled \$53,713 to qualified recipients between May and August 31, 2020.

**Revenue and Expense Recognition – Party on the Promenade**

BHA commenced an effort to produce Party on the Promenade event, the event was held on September 23, 2021, which is part of BHA's 2022 fiscal year. Any monies received by BHA in advance of holding the events have been deferred in the accompanying financial statements and totaled \$26,090 as of August 31, 2021. Such balances will be reflected in revenue when the event is held in the 2022 fiscal year.

**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 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 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, 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. At August 31, 2021 and 2020, BHA maintained cash balance at Flushing bank in excess of the Federal Deposit Insurance Corporation limit of \$250,000 by \$218,024 and \$142,378, respectively.

**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.

**FASB ASC 606 New Accounting Guidance Implementation**

BHA adopted the provisions of the FASB's ASC topic 606, *Revenue from Contracts with Customers* (Topic 606), with an initial date of application of December 31, 2018, and a deferred implementation adoption date for the year end August 31, 2021, applying the modified retrospective method. Adoption of Topic 606 did not have a material impact on the financial statements and therefore did not result in a prior period adjustment.

BHA recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Recent Authoritative Pronouncements**

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. Due to the COVID-19 outbreak in the United States, on April 8, 2020 FASB voted to delay implementation of ASU No. 2016-02. On June 3, 2020, the FASB updated guidance to delay implementation of ASU No. 2016-02, *Leases* (Topic 842) for one year. The standard delays the effective date for non-public entities to fiscal years beginning after December 15, 2021, and interim reporting periods within annual reporting periods beginning after December 15, 2022. BHA is evaluating the impact of the new standard on the organization's financial statements.



**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Authoritative Pronouncements (continued)**

Due to the global impact of COVID-19, the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) delayed the effective date of SAS No. 134 through 140, which primarily revised the layout and content of the auditor's report to more closely align the AICPA auditing standards with both public company and international auditing standards and also introduce optional reporting on Key Audit Matters (KAMs).

SAS No. 141 delays the effective date of SAS No. 134 through 140 until periods ending on or after December 15, 2021. Early adoption is permitted.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms).

The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

The amendments in this ASU will improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early application is permitted. The amendments in this ASU should be applied on a retrospective basis. BHA is currently assessing the impact this recent accounting pronouncements on its financial statements.

**NOTE 3. EQUIPMENT AND SOFTWARE, NET**

A summary of equipment and software cost and depreciation and amortization is as follows at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equipment and software	\$ 15,871	\$ 13,915
Less: accumulated depreciation and amortization	<u>(9,502)</u>	<u>(6,924)</u>
	<u>\$ 6,369</u>	<u>\$ 6,991</u>

**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
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**NOTE 3. EQUIPMENT AND SOFTWARE, NET (CONTINUED)**

Depreciation and amortization for the years ended August 31, 2021 and 2020 amounted to \$2,578 and \$2,410, respectively.

**NOTE 4. WEBSITE, NET**

A summary of website costs and amortization is as follows at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Website	\$ 44,043	\$ 44,043
Less: accumulated amortization	<u>(38,639)</u>	<u>(29,830)</u>
	<u>\$ 5,404</u>	<u>\$ 14,213</u>

Amortization expense amounted to \$8,809 for both of the years ended August 31, 2021 and 2020.

**NOTE 5. CONTRIBUTED SERVICES**

During fiscal year 2020 and 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 years' reconstruction of the BQE. An outside law firm provided significant pro bono legal fees and other related costs amounting to \$91,552 for the year ended August 31, 2020. No pro bono legal contributions received for the year ended August 31, 2021.

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. 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, 2021 and 2020.

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, 2022	<u>\$ 405</u>
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**BROOKLYN HEIGHTS ASSOCIATION, INC.**  
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**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS**

BHA's assets released from donor purpose restrictions for the years ended August 31, 2021 are reflected below:

	August 31, 2020	Contributions	Net assets released from restrictions	August 31, 2021
Tree Fund and Landscaping/Beautification Funds	\$ 22,911	\$ 165	\$ (80)	\$ 22,996
Promenade Gardens Public-Private Partnership	60,495	19,928	(22,183)	58,240
Brooklyn Height Playground Committee	234	-	-	234
BQE Fund	-	350	(300)	50
	<u>\$ 83,640</u>	<u>\$ 20,443</u>	<u>\$ (22,563)</u>	<u>\$ 81,520</u>

BHA's assets released from donor purpose restrictions for the years ended August 31, 2020 are reflected below:

	August 31, 2019	Contributions	Net assets released from restrictions	August 31, 2020
Tree Fund and Landscaping/Beautification Funds	\$ 21,471	\$ 1,455	\$ (15)	\$ 22,911
Promenade Gardens Public-Private Partnership	64,017	21,275	(24,797)	60,495
Brooklyn Height Playground Committee	660	126	(552)	234
BQE Fund	-	17,310	(17,310)	-
	<u>\$ 86,148</u>	<u>\$ 40,166</u>	<u>\$ (42,674)</u>	<u>\$ 83,640</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, 2021 and 2020.

**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.

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

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end		
Cash and cash equivalents	<u>\$ 705,951</u>	<u>\$ 643,201</u>
	<u>705,951</u>	<u>643,201</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	<u>(81,520)</u>	<u>(83,640)</u>
	<u>(81,520)</u>	<u>(83,640)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 624,431</u>	<u>\$ 559,561</u>

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.

**NOTE 10. PPP LOAN**

BHA received a loan from Flushing Bank in the amount of \$31,195 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The loan is subject to a note dated and may be forgiven to the extent proceeds of the loan are used for eligible expenditures, within the prescribed period, such as payroll and other expenses described in the CARES Act. The loan bears interest at a rate of 0.98% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note.

On August 9, 2021 BHA received notification that the PPP loan with the financial institution in the amount of \$31,195 had been forgiven by the Small Business Administration. The forgiven amount is recognized as grants and contributions in the statement of activities for the fiscal year ended August 31, 2021.

**NOTE 11. SUBSEQUENT EVENTS**

BHA evaluated its August 31, 2021 financial statements for subsequent events through March 28, 2022, the date the financial statements were available to be issued. BHA is not aware of any subsequent events which would require recognition or disclosure in the financial statements.