



**FINANCIAL STATEMENTS
DECEMBER 31, 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

BOSTON PUBLIC MARKET ASSOCIATION

**CONTENTS
DECEMBER 31, 2013**

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 10



CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

Where Every Client Is A Valued Client

Alexander, Aronson, Finning & Co., P. C.

21 East Main Street, Westborough, MA 01581-1461 (508) 366-9100
Boston, MA (617) 205-9100 Wellesley, MA (781) 965-9100
www.aafcpa.com FAX (508) 366-9789 info@aafcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Boston Public Market Association:

Report on the Financial Statements

We have audited the accompanying financial statements of Boston Public Market Association (a Massachusetts corporation, not for profit) (the Association) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Public Market Association as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
October 17, 2014

BOSTON PUBLIC MARKET ASSOCIATION

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013**

<u>ASSETS</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 107,703	\$ 1,649,445	\$ 1,757,148
Current portion of pledges and grants receivable	-	539,233	539,233
Accounts receivable	3,898	-	3,898
Prepaid expenses	2,112	-	2,112
	<hr/>	<hr/>	<hr/>
Total current assets	113,713	2,188,678	2,302,391
PLEDGES AND GRANTS RECEIVABLE, net of current portion	-	59,733	59,733
PROPERTY AND EQUIPMENT, net	5,861	-	5,861
CONSTRUCTION IN PROGRESS	283,389	-	283,389
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 402,963</u>	<u>\$ 2,248,411</u>	<u>\$ 2,651,374</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 22,143	\$ -	\$ 22,143
	<hr/>	<hr/>	<hr/>
NET ASSETS			
Unrestricted:			
Operating	91,570	-	91,570
Property and equipment and construction in progress	289,250	-	289,250
	<hr/>	<hr/>	<hr/>
Total unrestricted	380,820	-	380,820
Temporarily restricted	-	2,248,411	2,248,411
	<hr/>	<hr/>	<hr/>
Total net assets	380,820	2,248,411	2,629,231
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 402,963</u>	<u>\$ 2,248,411</u>	<u>\$ 2,651,374</u>

The accompanying notes are an integral part of these statements.

BOSTON PUBLIC MARKET ASSOCIATION

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:			
Donated services	\$ 400,000	\$ -	\$ 400,000
Grants and contributions	109,243	30,000	139,243
Market rental and sponsorship	53,862	-	53,862
Net assets released from purpose restrictions	<u>253,000</u>	<u>(253,000)</u>	<u>-</u>
Total operating revenue	<u>816,105</u>	<u>(223,000)</u>	<u>593,105</u>
OPERATING EXPENSES:			
Program services	539,135	-	539,135
Fundraising	131,990	-	131,990
General and administrative	<u>47,645</u>	<u>-</u>	<u>47,645</u>
Total operating expenses	<u>718,770</u>	<u>-</u>	<u>718,770</u>
Changes in net assets from operations	97,335	(223,000)	(125,665)
NON-OPERATING REVENUE:			
Campaign grants	-	2,521,800	2,521,800
Net assets released from campaign restrictions	<u>283,389</u>	<u>(283,389)</u>	<u>-</u>
Changes in net assets	380,724	2,015,411	2,396,135
NET ASSETS , beginning of year	<u>96</u>	<u>233,000</u>	<u>233,096</u>
NET ASSETS , end of year	<u><u>\$ 380,820</u></u>	<u><u>\$ 2,248,411</u></u>	<u><u>\$ 2,629,231</u></u>

The accompanying notes are an integral part of these statements.

BOSTON PUBLIC MARKET ASSOCIATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets from operations \$ (125,665)

Adjustments to reconcile changes in net assets from operations
to net cash used in operating activities:

Depreciation 2,055

Changes in operating assets and liabilities:

Accounts receivable 443

Prepaid expenses 142

Accounts payable and accrued expenses 11,115

Net cash used in operating activities (111,910)

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment (744)

Construction in progress (283,389)

Net cash used in investing activities (284,133)

CASH FLOWS FROM FINANCING ACTIVITIES:

Campaign grants 1,922,834

NET INCREASE IN CASH AND CASH EQUIVALENTS 1,526,791

CASH AND CASH EQUIVALENTS, beginning of year 230,357

CASH AND CASH EQUIVALENTS, end of year \$ 1,757,148

The accompanying notes are an integral part of these statements.

BOSTON PUBLIC MARKET ASSOCIATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>PROGRAM SERVICES</u>	<u>FUND- RAISING</u>	<u>GENERAL AND ADMINIS- TRATIVE</u>	<u>TOTAL EXPENSES</u>
PAYROLL AND RELATED:				
Salaries	\$ 131,866	\$ 32,337	\$ 28,121	\$ 192,324
Payroll taxes	12,682	3,110	2,704	18,496
Fringe benefits	7,680	1,883	1,638	11,201
	<hr/>	<hr/>	<hr/>	<hr/>
Total payroll and related	152,228	37,330	32,463	222,021
OTHER:				
Donated professional services	320,000	80,000	-	400,000
Professional services	31,460	7,865	3,960	43,285
Advertising	21,893	-	-	21,893
Office expenses	3,645	3,644	3,644	10,933
Occupancy	2,460	2,461	2,461	7,382
Insurance	2,354	-	3,750	6,104
Conferences	2,163	-	-	2,163
Depreciation	1,741	157	157	2,055
Supplies	266	533	267	1,066
Miscellaneous	-	-	943	943
Market expenses	925	-	-	925
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	<u>\$ 539,135</u>	<u>\$ 131,990</u>	<u>\$ 47,645</u>	<u>\$ 718,770</u>

The accompanying notes are an integral part of these statements.

BOSTON PUBLIC MARKET ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Founded in 2001, the Boston Public Market Association (the Association) is a Massachusetts not-for-profit corporation that aims to bring healthy, affordable, locally sourced foods to the Boston area creating a healthier, stronger community. The Association's mission is to develop and operate a permanent year-round market in Boston that provides fresh, healthy food to consumers of all income levels and nourishes our community. The Association will educate the public about food sources, nutrition and preparation and create a necessary addition the City of Boston.

In 2012, the Association was designated by the Commonwealth of Massachusetts as the developer and operator of the Boston Public Market: a 28,000 square-foot indoor retail location in the Haymarket T station building along Boston's Greenway. Once open, the Boston Public Market (the Market) will be the only locally sourced market of its kind in the United States—most of what's sold will either originate or be produced in New England. The Market will integrate education about healthy eating, local production and sustainability into the market experience through experiential learning, the demonstration kitchen and classroom.

Today, in addition to working to open the year-round Market, the Association operates two of the most popular seasonal farmers markets in downtown Boston – offering fresh food, free educational events, and information on the Boston Public Market to a diverse customer base. Since 2010, the Association's markets have participated in the Boston Bounty Bucks Program – an incentive-based program that allows customers with SNAP (food stamps) to use their EBT cards at farmers markets and provides a dollar-for-dollar match on market products. Through the Bounty Bucks Program, the Association helps create healthy, sustainable food alternatives for those in underserved communities.

NONPROFIT STATUS

The Association is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Association is also exempt from state income taxes. Donors may deduct contributions made to the Association within IRC requirements.

SIGNIFICANT ACCOUNTING POLICIES

The Association's financial statements have been prepared in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include checking and savings accounts.

BOSTON PUBLIC MARKET ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for us by the Association. The Association has grouped its unrestricted net assets into the following categories:

- **Operating net assets** represent funds available to carry on the operations of the Association.
- **Property and equipment and construction in progress net assets** reflect the net book value and account for the activities relating to the Association's property and equipment and construction in progress.

Temporarily restricted net assets represent grants and contributions whose use has been limited by donors to a specific time period or for a specific purpose. Temporarily restricted net assets are restricted for capital purposes (see Note 3) at December 31, 2013.

Revenue Recognition

Market rental, sponsorships and other income are recognized when earned.

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Allowance for Doubtful Accounts and Pledges and Grants Receivable

Pledges and grants receivable are recorded at their net present value when unconditionally committed. An allowance for uncollectible pledges and grants receivable is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. No allowance was deemed necessary as of December 31, 2013.

Pledges and grants receivable are expected to be collected as follows at December 31:

2014	\$539,233
2015	<u>59,733</u>
	598,966
Less - current portion	<u>539,233</u>
Long-term pledges and grants receivable	<u>\$ 59,733</u>

No discount was recorded at December 31, 2013, as it was immaterial to the accompanying financial statements.

BOSTON PUBLIC MARKET ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts and Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on experience and other circumstances which may affect the ability of the Association to collect the receivables. No allowance was deemed necessary as of December 31, 2013.

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Association has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value, therefore, the disclosure requirements do not apply.

Property and Equipment, Construction in Progress and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>	
Market tents	10 years	\$17,406
Computers and office equipment	5 years	<u>1,944</u>
		19,350
Less - accumulated depreciation		<u>13,489</u>
		<u>\$ 5,861</u>

Depreciation expense for the year ended December 31, 2013, was \$2,055.

Construction in progress consists of predevelopment costs associated with the new year-round market (see Notes 2 and 3). Construction is anticipated to be completed during fiscal year 2015. Total construction in progress capitalized as of December 31, 2013, was \$283,389.

Expense Allocations

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Advertising Costs

The Association expenses advertising costs as they are incurred. Advertising expense was \$21,893 for the year ended December 31, 2013.

BOSTON PUBLIC MARKET ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

During fiscal year 2013, the Association received donated legal and marketing services valued at \$160,000 and \$240,000, respectively. These amounts are included in donated services in the accompanying statement of activities and changes in net assets and professional services in the accompanying statement of functional expenses. Donated services are recorded based upon the estimated value assigned to them by the donors or by management.

Subsequent Events

Subsequent events have been evaluated through October 17, 2014, which is the date the financial statements were available to be issued.

Income Taxes

The Association accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The Association has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2013. The Association's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

(2) LEASES

During 2013, the Association entered into a lease agreement for its Boston office space which expires in October, 2014. Monthly base rent is \$1,500. Rent expense was \$6,000 for the year ended December 31, 2013, and is included in occupancy in the accompanying statement of functional expenses. The rent commitment for fiscal year 2014 under this lease agreement is \$15,000.

In September, 2013, the Association reached an agreement on a set of lease terms with the Massachusetts Department of Transportation (MDOT) for the operation of the year-round public food market. The initial term of the lease is five years, with sixteen consecutive five-year renewals which are automatically exercised provided the Association meets certain performance goals as outlined in the agreement. No rent payments are due under this agreement until such time as the Association produces surplus revenue as defined in the lease. Once surplus revenue is achieved, a fixed rent, as established by the lease, will be due. The fixed rent is based upon economic conditions at that time. No rent is expected to be paid in 2014.

BOSTON PUBLIC MARKET ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

(Continued)

(3) YEAR-ROUND MARKET

During 2013, the Association launched a campaign to raise \$15,500,000 to construct and launch a permanent year-round public market in downtown Boston, Massachusetts (see Note 2).

During 2013, the Association received approximately \$2,522,000 of grants and contributions in connection with the campaign. The Association incurred \$283,389 of capital costs associated with this campaign during fiscal year 2013.

In March, 2014, a cost reimbursable contract was executed between the Association and the Commonwealth of Massachusetts for \$4,000,000 for the development and construction of the year-round public market. Subsequent to that date, the contract was amended to \$6,500,000.

(4) CONDITIONAL GRANT

During 2013, a foundation awarded the Association a conditional grant of \$1,000,000 for its year-round market campaign. The grant is conditional upon achieving certain benchmarks as defined in the agreement. At December 31, 2013, \$667,000 of this grant had not been recorded as the conditions were not yet met. The conditions are expected to be met during 2014.

(5) CONCENTRATIONS

Credit Risk

The Association maintains its cash balances in Massachusetts banks. The banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to certain amounts. At certain times during the year, the balances exceeded the FDIC insured limits. The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to any significant credit risk on its cash balances.

Pledges and Grants Receivable

Approximately 81% of the Association's pledges and grants receivable at December 31, 2013, were due from two donors (see Note 1, page 7).

Revenue

Approximately 17% of the Association's revenue for the year ended December 31, 2013, was from one donor.

(6) SUBSEQUENT EVENT

In September, 2014, the Association signed a \$3,000,000 revolving line of credit agreement with a nonprofit corporation which is available for operations and temporary bridge financing in relation to the construction of the year-round market (see Note 3). Interest accrues annually at 3% and all borrowings and accrued interest under the agreement are due on September 3, 2017.