



**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Contents
December 31, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors of
Boston Public Market Association and Affiliate:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Boston Public Market Association (a Massachusetts corporation, not for profit) and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boston Public Market Association and Affiliate as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Brown, Pinning & Co., P.C.

Westborough, Massachusetts
June 7, 2019

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash	\$ 350,159	\$ 229,875	\$ 580,034	\$ 492,755	\$ 329,875	\$ 822,630
Current portion of cash - tenant security deposits	90,863	-	90,863	86,430	-	86,430
Accounts receivable, net	95,508	-	95,508	131,786	-	131,786
Inventory	9,105	-	9,105	11,008	-	11,008
Prepaid expenses	19,343	-	19,343	22,588	-	22,588
Total current assets	564,978	229,875	794,853	744,567	329,875	1,074,442
Cash - Tenant Security Deposits, net of current portion	28,120	-	28,120	45,152	-	45,152
Property and Equipment, net	11,426,891	-	11,426,891	11,965,708	-	11,965,708
Total assets	<u>\$ 12,019,989</u>	<u>\$ 229,875</u>	<u>\$ 12,249,864</u>	<u>\$ 12,755,427</u>	<u>\$ 329,875</u>	<u>\$ 13,085,302</u>
Liabilities and Net Assets						
Current Liabilities:						
Current portion of note payable	\$ 124,566	\$ -	\$ 124,566	\$ 800,000	\$ -	\$ 800,000
Accounts payable and accrued expenses	409,573	-	409,573	293,939	-	293,939
Advanced rental payments and royalties	134,598	-	134,598	12,692	-	12,692
Current portion of tenant security deposits	90,863	-	90,863	86,430	-	86,430
Total current liabilities	759,600	-	759,600	1,193,061	-	1,193,061
Tenant Security Deposits, net of current portion	28,120	-	28,120	45,152	-	45,152
Note Payable, net of current portion	600,000	-	600,000	-	-	-
Total liabilities	1,387,720	-	1,387,720	1,238,213	-	1,238,213
Net Assets:						
Without donor restrictions:						
Operating	(70,056)	-	(70,056)	351,506	-	351,506
Property and equipment	10,702,325	-	10,702,325	11,165,708	-	11,165,708
Total without donor restrictions	10,632,269	-	10,632,269	11,517,214	-	11,517,214
With donor restrictions	-	229,875	229,875	-	329,875	329,875
Total net assets	10,632,269	229,875	10,862,144	11,517,214	329,875	11,847,089
Total liabilities and net assets	<u>\$ 12,019,989</u>	<u>\$ 229,875</u>	<u>\$ 12,249,864</u>	<u>\$ 12,755,427</u>	<u>\$ 329,875</u>	<u>\$ 13,085,302</u>

The accompanying notes are an integral part of these consolidated statements.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

 Consolidated Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Market rental	\$ 1,540,321	\$ -	\$ 1,540,321	\$ 1,457,540	\$ -	\$ 1,457,540
Fundraising event	149,009	-	149,009	108,533	-	108,533
Donated services	53,765	-	53,765	35,000	-	35,000
Other income	47,645	-	47,645	20,417	-	20,417
Grants and contributions	4,036	10,000	14,036	26,751	-	26,751
Net asset released from purpose restrictions	10,000	(10,000)	-	15,000	(15,000)	-
Total operating revenue	<u>1,804,776</u>	<u>-</u>	<u>1,804,776</u>	<u>1,663,241</u>	<u>(15,000)</u>	<u>1,648,241</u>
Operating Expenses:						
Program services	1,796,975	-	1,796,975	1,899,009	-	1,899,009
Fundraising	77,779	-	77,779	83,805	-	83,805
General and administrative	331,176	-	331,176	197,747	-	197,747
Total operating expenses before depreciation	<u>2,205,930</u>	<u>-</u>	<u>2,205,930</u>	<u>2,180,561</u>	<u>-</u>	<u>2,180,561</u>
Changes in net assets from operations before depreciation	(401,154)	-	(401,154)	(517,320)	(15,000)	(532,320)
Depreciation	<u>576,715</u>	<u>-</u>	<u>576,715</u>	<u>576,311</u>	<u>-</u>	<u>576,311</u>
Changes in net assets from operations	<u>(977,869)</u>	<u>-</u>	<u>(977,869)</u>	<u>(1,093,631)</u>	<u>(15,000)</u>	<u>(1,108,631)</u>
Non-Operating Revenue and Expenses:						
Loss on disposal of property and equipment	(7,076)	-	(7,076)	-	-	-
Net assets released from campaign restrictions	100,000	(100,000)	-	220,125	(220,125)	-
Total non-operating revenue and expenses	<u>92,924</u>	<u>(100,000)</u>	<u>(7,076)</u>	<u>220,125</u>	<u>(220,125)</u>	<u>-</u>
Changes in net assets	(884,945)	(100,000)	(984,945)	(873,506)	(235,125)	(1,108,631)
Net Assets:						
Beginning of year	<u>11,517,214</u>	<u>329,875</u>	<u>11,847,089</u>	<u>12,390,720</u>	<u>565,000</u>	<u>12,955,720</u>
End of year	<u>\$ 10,632,269</u>	<u>\$ 229,875</u>	<u>\$ 10,862,144</u>	<u>\$ 11,517,214</u>	<u>\$ 329,875</u>	<u>\$ 11,847,089</u>

The accompanying notes are an integral part of these consolidated statements.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATEConsolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (984,945)	\$ (1,108,631)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Bad debt expense (recovery)	(8,001)	13,305
Depreciation	576,715	576,311
Loss on disposal of property and equipment	7,076	-
Equipment received in lieu of cash	(37,024)	-
Changes in operating assets and liabilities:		
Pledges and grants receivable	-	41,241
Accounts receivable	44,279	85,315
Inventory	1,903	(7,176)
Prepaid expenses	3,245	3,710
Accounts payable and accrued expenses	115,634	(25,114)
Tenant security deposits	(12,599)	(20,974)
Advanced rental payments and royalties	121,906	12,692
	<u>(171,811)</u>	<u>(429,321)</u>
Net cash used in operating activities		
	<u>(171,811)</u>	<u>(429,321)</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	<u>(7,950)</u>	<u>(50,331)</u>
Cash Flows from Financing Activities:		
Campaign grants	-	250,000
Payment on note payable	<u>(75,434)</u>	<u>(200,000)</u>
	<u>(75,434)</u>	<u>50,000</u>
Net cash provided by (used in) financing activities		
	<u>(75,434)</u>	<u>50,000</u>
Net Change in Cash and Restricted Cash	<u>(255,195)</u>	<u>(429,652)</u>
Cash and Restricted Cash:		
Beginning of year	<u>954,212</u>	<u>1,383,864</u>
End of year	<u>\$ 699,017</u>	<u>\$ 954,212</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 24,566</u>	<u>\$ 20,125</u>
Equipment received in lieu of cash	<u>\$ 37,024</u>	<u>\$ -</u>

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	Fundraising	General and Administrative	Total Expenses	Program Services	Fundraising	General and Administrative	Total Expenses
Payroll and Related:								
Salaries	\$ 440,822	\$ 37,515	\$ 84,233	\$ 562,570	\$ 454,709	\$ 34,103	\$ 79,574	\$ 568,386
Fringe benefits	51,748	4,404	9,887	66,039	59,023	4,427	10,329	73,779
Payroll taxes	38,432	3,271	7,343	49,046	40,656	3,049	7,115	50,820
Total payroll and related	531,002	45,190	101,463	677,655	554,388	41,579	97,018	692,985
Other:								
Utilities	438,815	684	1,467	440,966	364,099	997	1,994	367,090
Security and custodial	325,036	-	-	325,036	323,498	-	-	323,498
Professional services	26,363	-	140,252	166,615	25,988	-	38,539	64,527
Repairs and maintenance	161,285	-	-	161,285	111,665	-	-	111,665
Occupancy	128,512	3,696	7,919	140,127	127,725	4,045	8,090	139,860
Marketing and advertising	75,400	-	-	75,400	232,034	-	-	232,034
Donated professional services	-	-	53,765	53,765	35,000	-	-	35,000
Insurance	39,298	-	6,738	46,036	10,780	-	21,744	32,524
Cost of sales	32,075	-	-	32,075	26,652	-	-	26,652
Events	-	27,083	-	27,083	13,235	31,676	-	44,911
Interest	27,067	-	-	27,067	32,291	-	-	32,291
Miscellaneous	12,539	-	10,310	22,849	10,077	-	17,382	27,459
Program supplies	18,995	-	-	18,995	20,742	-	-	20,742
Office supplies and internet	12,663	1,126	2,412	16,201	18,406	5,508	8,611	32,525
Conferences, travel and staff development	-	-	6,850	6,850	5,776	-	4,369	10,145
Bad debt	-	-	-	-	13,305	-	-	13,305
Total other	1,298,048	32,589	229,713	1,560,350	1,371,273	42,226	100,729	1,514,228
Total expenses before depreciation	1,829,050	77,779	331,176	2,238,005	1,925,661	83,805	197,747	2,207,213
Less - cost of sales expenses included with revenues on the consolidated statements of activities and changes in net assets	(32,075)	-	-	(32,075)	(26,652)	-	-	(26,652)
Total expenses included in the consolidated statements of activities and changes in net assets before depreciation	1,796,975	77,779	331,176	2,205,930	1,899,009	83,805	197,747	2,180,561
Depreciation	576,011	224	480	576,715	574,983	664	664	576,311
Total operating expenses	\$ 2,372,986	\$ 78,003	\$ 331,656	\$ 2,782,645	\$ 2,473,992	\$ 84,469	\$ 198,411	\$ 2,756,872

The accompanying notes are an integral part of these consolidated statements.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Founded in 2001, the Boston Public Market Association (BPMA) 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. BPMA's mission is to operate a permanent year-round market in Boston that provides fresh, healthy food to consumers of all income levels and nourishes our community. BPMA also educates the public about food sources, nutrition and preparation, provides small business support to market vendors, and contributes an additional free, public, civic space to the City of Boston.

In 2012, BPMA 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. Currently, the Boston Public Market (the Market) is the only year-round, indoor, locally sourced market of its kind in the United States—most of what is sold either originates or is produced in New England. The Market integrates education about healthy eating, local production and sustainability into the market experience through experiential learning, the demonstration kitchen and classroom. The Market opened to the public in July 2015.

In addition to operating the year-round market, BPMA runs two seasonal farmers markets in downtown Boston and the seaport area - offering fresh food, free educational events, and information on the Market to a diverse customer base. Since 2010, BPMA's markets have participated in the Boston Bounty Bucks Program - an incentive-based program that allows customers with SNAP (food stamps) to use their Electronic Benefit Transfer (EBT) cards at farmers markets and provides a dollar-for-dollar match on market products. Through the Boston Bounty Bucks Program and the new Health Incentives Program (HIP), BPMA helps create healthy, sustainable food alternatives for those in underserved communities.

In January 2018, BPMA formed Grow BPMA LLC (the LLC), a Massachusetts Limited Liability Company, for the purpose of supporting BPMA and its mission. BPMA is the sole member of the LLC.

During 2018, the LLC executed an agreement with HMS Host (Host), a food and beverage developer, in which the LLC will license their name to Host in order to open the Boston Public Market at Logan (the Market at Logan). Host will be paying BPMA royalty fees for the licensing of the Boston Public Market brand. The Market at Logan is projected to open in the summer of 2019, but Host began making advanced royalty payments in September 2018 and will continue to do so until the time that the Market at Logan is open (see Page 9).

NONPROFIT STATUS

BPMA 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). BPMA is also exempt from state income taxes. Donors may deduct contributions made to BPMA within IRC requirements. The LLC has elected to be treated as a disregarded entity for income tax purposes.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES

BPMA and the LLC prepares their consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to FASB Accounting Standards Codification (ASC).

Principles of Consolidation

The consolidated financial statements include the net assets and members' capital of BPMA and the LLC. BPMA and the LLC are collectively referred to as BPMA. All significant balances between classes of members' capital and net assets and inter-company balances and transactions are eliminated in the accompanying consolidated financial statements.

Recently Adopted Accounting Pronouncement

In fiscal year 2018, BPMA adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of consolidated financial statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. BPMA has adjusted the presentation of these statements accordingly. The adoption of this ASU did not impact BPMA's net asset classes, results of operations, or cash flows for the year ended December 31, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the year ended December 31, 2017.

Cash

The following table provides a reconciliation of cash and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	<u>2018</u>	<u>2017</u>
Cash	\$ 580,034	\$ 822,630
Cash - tenant security deposits	<u>118,983</u>	<u>131,582</u>
Total cash and restricted cash shown in the consolidated statement of cash flows	<u>\$ 699,017</u>	<u>\$ 954,212</u>

Cash - tenant security deposits include refundable cash payments collected from vendors renting space in the year-round market according to each vendor lease agreement (see Note 3).

Accounts Receivable and Allowance for Doubtful Accounts

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 BPMA to collect the receivables. Accounts receivable in the accompanying consolidated statements of financial position is reported net of an allowance for uncollectible accounts of \$2,800 and 10,800 at December 31, 2018 and 2017, respectively.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment 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. Depreciation is recorded using the straight-line method over the following estimated useful lives:

Year-round market building improvements	25 years
Market equipment and furniture	5 - 7 years
Market tents	10 years
Computers and office equipment	5 - 7 years

Inventory

Inventory consists of reusable shopping bags and other market memorabilia sold at the year-round market and is accounted for at the lower of cost (as determined by the first-in, first-out (FIFO) method) or market. Sales of inventory is included in other income and is reflected net of cost of goods sold of approximately \$32,000 and \$27,000 for the years ended December 31, 2018 and 2017, respectively.

Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by BPMA. BPMA has grouped its net assets without donor restrictions into the following categories:

- **Operating net assets** represent funds available to carry on the operations of BPMA.
- **Property and equipment net assets** reflect the net book value and account for the activities relating to BPMA's property and equipment, net of related debt.

Net assets with donor restrictions represent grants and contributions whose use has been restricted by donors for a specific time, purpose or for campaign purposes. Net assets with donor restrictions at December 31, 2018 and 2017, are all campaign restricted. In 2013, BPMA had launched a significant campaign to raise the funds necessary to construct the Market (see page 6). The funds raised, along with a revolving line of credit provided by The Conservation Fund (see Note 5), permitted construction of the Market to be completed during 2015. The remaining balance of net assets with donor restrictions with campaign restrictions are for repayment of the line of credit and other purposes as specified from the campaign solicitations.

Revenue Recognition

BPMA rents space to local vendors in its seasonal and year-round markets. Rental fees are received and recorded as advanced rental payments until the month begins, at which time the fees are recognized as market rental income.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as restricted revenues and net assets with donor restrictions when received or unconditionally pledged. When a donor's 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 consolidated statements of activities and changes in net assets as net assets released from restrictions.

Fundraising event and other income are recognized when earned.

Royalty fees received in advance of the opening of the Market at Logan are recorded as deferred revenue and shown as advanced rental payments and royalties in the accompanying consolidated statements of financial position, and will offset future royalty revenue beginning in 2020 pro-rata over eighteen months.

Consolidated Statements of Activities and Changes in Net Assets

The consolidated statements of activities and changes in net assets present operating revenue and expenses from program activities as changes in net assets from operations. Activity related to the disposal of property and equipment and campaign restricted net asset release is included as non-operating revenue and expenses in the accompanying consolidated statements of activities and changes in net assets.

Donated Services

BPMA received donated legal services valued at \$53,765 and \$35,000 for the years ended December 31, 2018 and 2017, respectively, which is included in donated services in the accompanying consolidated statements of activities and changes in net assets and donated professional services in the accompanying consolidated statements of functional expenses. Donated services are recorded based upon the estimated value assigned to them by the donors or by management.

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.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of full-time employees in each category. Occupancy costs and depreciation are separately identifiable and attributable to the Market and the office space and are considered direct costs. Supplies and other costs are allocated based on usage studies.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

BPMA expenses advertising costs as they are incurred. Advertising expense was approximately \$25,000 and \$106,000 for the years ended December 31, 2018 and 2017, respectively, and is included in marketing and advertising in the accompanying consolidated statements of functional expenses.

Fair Value Measurements

BPMA follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that BPMA would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

BPMA uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of BPMA. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Income Taxes

BPMA 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 consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. BPMA has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at December 31, 2018. BPMA's information returns are subject to examination by the Federal and state jurisdictions.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through June 7, 2019, which is the date the consolidated financial statements were available to be issued. See Note 5 for an event that met the criteria for disclosure.

Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Year-round market building improvements	\$ 12,109,713	\$ 12,109,713
Market equipment and furniture	1,259,591	1,222,567
Market tents	18,005	18,005
Computers and office equipment	<u>17,778</u>	<u>17,778</u>
	13,405,087	13,368,063
Less - accumulated depreciation	<u>1,978,196</u>	<u>1,402,355</u>
	<u>\$ 11,426,891</u>	<u>\$ 11,965,708</u>

Depreciation expense was \$576,715 and \$576,311 for the years ended December 31, 2018 and 2017, respectively.

3. LEASES

Lessee

BPMA leases office space in Boston under a lease agreement that expires on February 28, 2021. BPMA is also responsible for certain real estate taxes and operating costs in excess of the base amounts as defined in the agreement. Rent expense was \$52,794 and \$57,786 for the years ended December 31, 2018 and 2017, respectively, and is included in occupancy in the accompanying consolidated statements of functional expenses.

Future minimum lease payments under these agreements for the next three years are as follows:

2019	\$ 56,000
2020	\$ 56,000
2021	\$ 9,333

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

3. LEASES (Continued)

Lessee (Continued)

In July 2014, BPMA entered into a lease agreement with 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, provided BPMA meets certain compliance and performance criteria as outlined in the agreement. No base rent payments are due under this agreement until such time as BPMA produces surplus revenue, as defined in the lease. Surplus revenue is calculated after a capital reserve and an operation reserve are funded on each anniversary date of the opening date of the year-round market, as defined in the lease. Once surplus revenue is achieved, a lump-sum of annual rent, as established by the lease, will be due upon submitting the annual audited consolidated financial statements to MDOT. The annual lump-sum rent is based upon percentage benchmarks of surplus revenue calculated from the audited consolidated financial statements. No base rent was due in 2018 or 2017 and there is no base rent anticipated to be due in 2019.

Lessor

BPMA leases space in its year-round market to various local vendors requiring fixed rentals, reimbursement of operating costs (proportionate share of common area maintenance, utilities and real estate taxes), and a percentage of gross sales as defined in the agreements. The lease agreements expire at various times from May 31, 2019 through October 31, 2022, and include base rents ranging from \$265 to \$5,480 per month depending on the lease agreement. Base Market rental income under these tenant leases was approximately \$729,000 and \$745,000 for the years ended December 31, 2018 and 2017, respectively, and is included in market rental income in the accompanying consolidated statements of activities and changes in net assets.

Future minimum lease payments under these agreements, not including renewal options, common area maintenance or percentage of gross sales rental amounts, are as follows:

2019	\$ 556,281
2020	\$ 236,571
2021	\$ 154,148
2022	\$ 112,898

4. CONCENTRATION

BPMA maintains its cash balances in one Massachusetts bank. The bank is 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. BPMA has not experienced any losses in such accounts. Management believes BPMA is not exposed to any significant credit risk on its cash balances.

5. NOTE PAYABLE

In September 2014, BPMA entered into a \$3,000,000 revolving line of credit agreement with The Conservation Fund, a nonprofit corporation. Borrowings under the agreement were available for operations and temporary bridge financing in relation to the construction of the year-round market which was completed in 2015. This agreement was secured by an interest in BPMA's lease with MDOT (see Note 3). Interest accrued annually at 3% through September 2018. Interest was due annually in September. All outstanding borrowings and accrued interest under the agreement were due on September 3, 2018, at which time an extension was granted through March 4, 2019. With this extension, the interest rate increased to 4.6% through January 3, 2019, at which time the rate increased to 6.6%. There was an outstanding balance of \$724,566 and \$800,000 at December 31, 2018 and 2017, respectively.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

Notes to Consolidated Financial Statements
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5. NOTE PAYABLE (Continued)

Accrued interest on the outstanding balance was \$10,500 and \$8,000 at December 31, 2018 and 2017, respectively, and is included in accounts payable and accrued expenses.

In February 2019, BPMA refinanced this note payable with Coastal Enterprises, Inc., a nonprofit corporation, through December 31, 2026. BPMA made a payment of \$142,678 to The Conservation Fund and refinanced the remaining amount due of \$600,000 through Coastal Enterprises Inc. Interest will accrue annually on the outstanding balance at 7.5%. This note has an interest only period through December 2019. Monthly payments of \$9,203 representing principal and interest will commence in January 2020. This note is guaranteed by the LLC (see Note 1) and secured by a first security interest in all business assets of BPMA, an assignment of leases and rents with all vendors of the Market, assignment of the license agreement with Host (see Note 1), an assignment of key person life insurance on the CEO, and a cash reserve of approximately \$110,400.

Future minimum principal payments, including the impact of the debt refinancing that occurred subsequent to December 31, 2018, are as follows:

2019	\$ 124,566
2020	\$ 67,403
2021	\$ 72,841
2022	\$ 78,577
2023	\$ 84,765

6. RELATED PARTY TRANSACTIONS

A Board member of BPMA provided donated legal services to BPMA with a value of \$17,360 and \$10,000, respectively for 2018 and 2017.

A Board member of BPMA is an employee of an organization that provided donated marketing and promotional services to BPMA with a value of \$25,000 for 2017.

7. RETIREMENT PLAN

Effective January 2017, BPMA adopted a retirement savings plan under Section 403(b) of the IRC (the Plan). Under the Plan, all employees who have completed at least three months of service are eligible. The Plan allows BPMA to make a discretionary matching contribution. Employees are fully vested in matching contributions. Employer contributions under the Plan were \$14,310 and \$2,612 for the years ended December 31, 2018 and 2017, respectively, and are included in fringe benefits in the accompanying consolidated statements of functional expenses.

8. BPMA OPERATIONS

At December 31, 2018, BPMA has \$(70,056) of operating net assets without donor restrictions, and \$229,875 in net assets with donor restrictions.

The Market's operations throughout 2018 continued to present challenges from a financial perspective in light of the inherent limitations on revenue owing to the nature of BPMA's mission and its vendors. It is the mission of the Boston Public Market to welcome and host farmers and small food businesses requiring that BPMA offers very favorable financial terms to these types of businesses who would typically not be renting space in downtown Boston. Unlike a private developer and given BPMA's mission which requires the types of vendors to have in the Market, BPMA must retain occupancy costs at a level permitting these vendors to remain. Meanwhile, staffing and operational costs continue to necessarily rise.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

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8. BPMA OPERATIONS (Continued)

In the face of these challenges, management has a plan to ensure additional opportunities for revenue, to manage our expenses and to continue to analyze and further develop strategies and policies that will continue to support and sustain the Market as well as BPMA in the coming years.

Subsequent to year end, BPMA closed on a refinancing of \$600,000 of the note payable balance and paid the remaining balance of the loan due (see Note 5).

In the summer of 2019, the Market at Logan will commence operations. Once the Market at Logan opens, the LLC will begin recognizing annual licensing fees based upon sales at the market at Logan, which will supplement the bottom line and lead to positive operating results before depreciation. The developer of the Market at Logan, Host, will absorb all of the capital and operating costs. Additionally, Host has commenced paying BPMA a prepaid royalty fee of \$25,000 per month on September 1, 2018, and will continue to pay monthly until the time that the Market at Logan is open.

BPMA, the Market, and the small business vendors themselves are all still very much in startup mode, often needing to invest resources in areas like marketing and communications that do not necessarily have an immediate expectation of profit. Management, along with the Market vendors, are all still finding and building their customer base. This year, as many existing leases renew and new leases are negotiated, BPMA expects to raise rents for certain categories of vendors, such as prepared foods. Management also believes there continues to be an argument for operating grants to support the multi-fold missions of the Market, including economic development, agricultural support, food access, and community engagement. In 2019, the BPMA plans to reactivate its grant efforts around its mission and program, focusing on support from local foundations and private philanthropy.

Management is projecting cash basis operating results of \$59,000 for 2019 before depreciation expense.

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

BPMA's financial assets available within one year from the consolidated statement of financial position date of December 31, 2018, for general operating expenses are as follows:

Cash and restricted cash	\$ 699,017
Accounts receivable	<u>95,508</u>
Total financial assets	794,525
Contractual or donor-imposed restrictions:	
Cash - tenant security deposits	(118,983)
Other donor restrictions	<u>(229,875)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 445,667</u>

BPMA has a policy to structure its financial assets to be available as its obligations become due.